

**Transcript of Remarks by Senator Kent Conrad (D-ND)  
during Press Conference Call on CBO's August Budget Update  
August 17, 2006**

This is Senator Conrad. Thank you for joining us. Let me just make a couple of comments and then turn it over to Congressman Spratt and then we would be happy to answer your questions.

My observations about CBO's latest numbers are that, while the deficit is going in the wrong direction, \$260 billion in 2006, and according to them, up to \$286 billion in 2007, the real story, I believe, is the explosion of the debt. My own belief is the debt is the threat. In 2006, the debt will increase, according to these latest numbers, by \$557 billion, more than double the size of the deficit. In 2007, these numbers suggest the debt will increase by \$587 billion. And every year thereafter, during the budget period, the debt will increase by more than \$600 billion.

What is critical to understand is that all that is happening before the baby boom generation retires. And so this is a completely unsustainable course for the country.

I think the evidence for that is quite clear. Debt held abroad has now doubled. U.S. debt held abroad has now more than doubled in the last five years. That is a completely unsustainable course.

And I must say I was quite taken aback by the CBO Director's comments, Mr. Marron, that the deficits are sustainable. And he says they are two percent of GDP. Of course, what that leaves out is that the additions to the debt are more than four percent of GDP. And I think almost any economist would tell you that's an unsustainable level, especially in light of the fact the baby boom generation is about to retire.

Most countries that are in our circumstance would be running surpluses now, would be paying down debt or would be pre-paying liability that they know is to come. Instead, our country, under the Bush administration leadership, is running up massive debt before the baby boomers retire.

I believe, when history judges this period, they will say the Republicans became the party of the three D's: debt, deficits and decline. And that will be sad legacy for this President and for his party.

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*Question:* Could you address this issue of the CBO Director calling this two percent -- could you go into a little more detail, if you can? Are you disappointed that he didn't come out by saying, "We really need to do something urgent now," and instead, said, "Well, you know, right now, for at least the next several years, we're looking at sustainable deficits?" Is that a problem for you in having a CBO director say that?

*Conrad Answer:*

I think it is completely and totally irresponsible. I think it misleads the American people as to the true status of the fiscal condition of the country. We're in a very unusual situation where the amount of the deficit is a fraction of the increasing debt of the country, and that the debt is going to be what has to be repaid.

And what's being lost in all of this is this incredible disconnect between the size of our deficits and the increase in our debt.

And the fact is, this year, while they talk about a \$260 billion deficit, the debt is going to increase by \$557 billion. Next year, the debt is going to increase by \$587 billion, according to these numbers; and every year thereafter, by more than \$600 billion. That is on a debt that now stands at about \$8.5 trillion.

Last year, our country as a nation borrowed 65 percent of all the money that was borrowed in the world by countries. Sixty-five percent; our country, alone.

As Congressman Spratt said, and as I referenced earlier, under this President's watch, foreign holdings of U.S. debt have doubled in just five years. That is a completely unsustainable course. And for this budget director to say that that's sustainable, just looking at the deficit while ignoring the growth of the debt, utterly misleads the American people.

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One other thing I should say is that the budget director referenced two percent of GDP. That's the amount of the deficit. The increase in the debt is well over four percent of GDP. And he justifies calling it sustainable by looking backwards and saying it's been two percent of the GDP in the past. There is a huge difference between those numbers today and those numbers in the past, because you didn't have this incredible disconnect in the past between the size of the deficit and the growth of the debt, because the Social Security trust funds, which are being, in effect, raided in order to disguise the true increases in our debt, were not as large in the past. Second, we did not in the past face the imminent retirement of the baby boom generation. So I will tell you, I thought it was one of the most irresponsible statements by a public official I have seen in a long time.

*Question:* You could be on the cusp of bring in the majority. Rather than talking about what's wrong with this picture, what will you do to fix it?

*Conrad Answer:*

Good question. The first thing we should do, I believe, is aggressively go after the tax gap. That's the difference between what's owed and what's being paid. It's now \$350 billion a year, the difference between what is owed and what is being paid. We need to go after that aggressively.

On the spending side of the equation, it's the health accounts, other than interest on the debt, that are growing most rapidly. They need to be focused on. And there's one critical fact. Five percent of Medicare beneficiaries are using half of the money. Five percent are using half of the money. We have got to focus like a laser on that five percent. They are the chronically ill. And what one finds -- if we better coordinated their care, we could do two things. We could improve the quality of their health care and we could save a lot of money. Those are two suggestions that I would make.

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Let me just say, I would strongly endorse the two matters that Congressman Spratt discussed. I mean, the prohibition against Medicare negotiating lower drug prices is a major potential area of savings, as are the tens of billions of dollars that are being paid to private plans under Medicare to compete with Medicare. You know, the whole idea of those private plans was they are supposed to cost less. Turns out they are costing much more.

*Question:* Couple things you guys didn't mention. One would be not extending the tax cuts, and what would a Democratic majority do there. And the other is the potential of pulling out faster from Iraq.

*Conrad Answer:*

Well, let me just address the first one of your points, and that is extending tax cuts. Some of the tax cuts need to be extended. I would want to extend the 10 percent bracket. I would want to extend marriage penalty relief. I would want to extend provisions for enhanced expensing for small business. I would not want to virtually eliminate the estate tax, which the Republicans are seeking to do, even in light of this dramatically growing debt.

On the question of Iraq, this administration told us it would cost \$50 billion. Like so many things they said about Iraq, they were off by an enormous factor. In this case, they are off by a factor of six, because we have already spent over \$300 billion on Iraq.

My own view on Iraq is we have got to help stabilize the situation. We can't just withdraw immediately. And I am one who voted against going there in the first place. But I do think we have got an obligation to help stabilize the situation so that we can redeploy with honor and not leave behind chaos. But the President seems to have just an open-ended commitment, says to the Iraqis: Don't worry, we'll stay there. They have told us -- told you, I think, privately -- that when you look at the commitment to Iraq, they are talking about a commitment like North Korea and a commitment like Japan. That is 60 years. I would very much hope the United States is not bogged down in Iraq for 60 years.

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*Question:* Just to go back to the question on Marron. Does what he said today -- to whatever extent you guys have any say in this -- in either of your minds disqualify him from being named as a permanent CBO Director?

*Conrad Answer:*

It disqualifies him in my mind. I mean, to report inaccurately to the American people the true fiscal condition of the country is completely irresponsible.

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*Question:* Do you have any sense of why he has been, sort of, left to twist in the wind for so long, since he's been acting since January? Any sense, on your parts, on why the Republicans have not either named a new Director or had Mr. Marron named Director? Is there any sense, on your parts, of why they wouldn't want to have a Director at this point?

*Conrad Answer:*

I don't.

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*Question:* If the Democrats do take over one or both chambers, is there really much hope of getting, sort of, a major effort at dealing with these longer-term issues in the next two years? Or do you think that it's going to take, really, a much longer period of time, and after the 2008 elections? Can you really do much in the way of changing tax policy or reforming these big programs, when there's really been not much success doing that for the past, you know, long period of time?

*Conrad Answer:*

Well, I would disagree with your characterization. If you look at what happened when Democrats were previously in charge, we took record deficits and turned them into record surpluses. And that's a historical fact.

The last time we had these record deficits was under the previous Bush administration. The Clinton administration came to town, inherited those record deficits and, over eight years, reduced the deficit each and every year, until we were in surplus. In fact, we were sufficiently in surplus to stop using Social Security funds for other purposes, for two years. So the record of the Democrats of fiscal responsibility when we did have a chance to guide fiscal policy is a very good one and one that was one of real accomplishment.

You could not correct this whole situation in two years. That's for certain. It would take a long-term plan. But the administration, the only long-term plan they have is to continue stacking up debt on top of debt.

*Question:* Well, given that you'd still be dealing with that administration and you wouldn't have veto-proof majorities, I mean, do you have any real hope that there would be a rapprochement early next year where you could have some kind of a summit? Or do you think that that's not really in the cards, that people would sort of be laying back and waiting for the next President to come along?

*Conrad Answer:*

My own view is I would hope that would happen. I would hope that if Democrats captured control of one or both houses that there would be a sit-down with the President to address these long-term challenges, because there is no time to waste. I mean, this debt is stacking up at truly an alarming rate.

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With that, I have got to ring off. I appreciate very much your joining us. As always, I thank my most excellent colleague, Congressman Spratt.