Transcript of Remarks by Senator Kent Conrad (D-ND)
at Press Conference on OMB's Mid-Session Review
July 11, 2006

The White House celebration today is much ado about not much. All of their comparisons are based on projections. If one makes the comparisons based on what actually occurred, here is what you would see. Last year the actual deficit was $318 billion. They are now forecasting this year's deficit at $296 billion. That's an improvement, but a very modest improvement.

What is much more striking is what is going to happen to the debt. The debt last year was $551 billion. The debt this year is going to grow by almost $600 billion, according to their new estimates.

I have said over and over the debt is the threat. The debt is the threat. The stories have been written focused on the deficit going back 30 years and there's a reason for that. It made sense 30 years ago to focus on the deficit because the amount of the deficit was about the amount by which the debt increased. That is no longer the case.

There is now a very dramatic divide between the size of the deficit and the amount of debt increase the country is experiencing. The big reason for that are the Social Security surpluses. They're not part of the deficit calculation, but when those monies are used for other purposes, as they are under the President's plan, all of that gets added to the debt. All of it has to be paid back.

So last year, the debt increased by $551 billion. This year the debt is going to increase by $593 billion. Is this a cause for celebration? Well, at this White House, they think so. I don't agree. I think this is a cause for real concern.

The administration also suggests that the recent revenue increase is proof that their fiscal plan is working. I don't think that that's accurate either. In fact, if you look at the historical record, what you see is we are only now getting back to the revenue that we had in 2000.

In 2000, we had just over $2 trillion of revenue. Then we had the big tax cuts in 2001. Revenue went down the next year. Revenue went down again the next year. We had more tax cuts in 2003. Revenues stayed down. Revenues stayed down in 2005. Only in 2006 are we getting, in real terms, back to the revenue we had in 2000. This is not proof that their economic theories are working, the economic theory being the tooth fairy, that somehow we don't have to worry about any of this because somehow the money will just appear. Obviously, this theory is not working.

If you look at revenues from individual income taxes, and this is not in real terms, this is in actual dollar terms not adjusted for inflation, you see the same thing. Only now are we getting back to the revenue base of 2000. This has been the longest period of stagnant revenue in the country's history.

Here's the *New York Times* from July 9th: "One reason the run-up in taxes looks good is because the past five years have been 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."

The result is the debt is exploding. The debt is headed for, our calculations, $11.5 trillion in 2011 under this plan.

The debt is the threat and the wall of debt being built by the failed policies of this administration are truly stunning and they're coming at the worst possible time, before the baby-boomers retire.

This chart, which I have not shown here before, I think ought to sober us all. This shows, on an annual basis, how much we're borrowing. Of all the money that's being borrowed in the world by individual countries, the United States is borrowing 65 percent of what countries are borrowing, 65 percent. Spain is down at 7 percent, they're the next biggest; United Kingdom at about 4 percent. The United States is borrowing in an unprecedented and completely unsustainable way.

I think that's enough for the moment. We're happy to answer people's questions. Yes, sir?

Question: Mr. Portman talked about the need for entitlement reform...and he's hopeful of having bipartisan success in taking on those entitlements after the election. And he said one of the ways that he thought he might be able to get the Democrats on board is by having tax reform and including revenue-neutral AMT. Is having a revenue-neutral AMT fix enough to get Democrats on board? What kinds of things would you need to see from the administration before you guys would be willing to go along with some deep entitlement cuts?

Conrad Answer:

Well, I don't favor deep entitlement cuts, period. I'm not for deep entitlement cuts and I'm not for deep cuts in Social Security, deep cuts in Medicare. I think they have just revealed what their real plan is. Their real plan, according to those remarks, are to shred Social Security and Medicare.

I have always expected that's their plan, because you can see this is utterly disconnected from reality in terms of where this is all headed. This is all headed right for the cliff and their answer clearly is to shred Social Security and Medicare. I don't think that's the answer.

What it is going to take, just speaking for me, is to have a balanced plan, something that looks at the revenue side, that looks at the spending side, not just entitlements, but all spending and all revenue, to come up with a balanced plan and one that is bipartisan and not one that is dictated by anyone, not dictated by this White House. And it's going to first require an acknowledgment on their part that we've got a very, very serious problem because of their failed fiscal policy.

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Additional Conrad Remarks:

If I could go back, I don't want to lose this point because I honestly think it is critical for the country's understanding of our fiscal condition. The debt needs to be our focus at this time. The debt of the country is skyrocketing. According to their own calculations, the debt this year is going to increase by almost $600 billion, not the $296 billion they're talking about as the deficit. The debt is going to increase by almost $600 billion.

When this President came to office, the debt was about $5 trillion. We've already gone up to, at the end of this year, the debt will be about $8.6 trillion. We're headed for a debt in the next five years, according to their estimates, of $11.5 trillion. This is before the baby-boomers retire.

Now, you know, all of this happy talk coming out of the administration about the fiscal circumstance reminds me a little of somebody holding a press conference to talk about the new lifeboats onboard the Titanic. Sure, there's some good news there, but this ship of state is in big trouble and anybody that doesn't say that to the American people is fundamentally misleading people.

You know, earlier this year, when they came up with this deficit forecast, I said at the time, in this very setting, "I don't believe these deficit forecasts. I think they've overestimated the deficit on the front end to claim success later on in the year."

And guess what? That's exactly what they're doing now. And you know what? If this was the first year it happened, maybe we could be more forgiving. This is the third year of this tactic.

Please don't fall for that. In your reporting to the American people, I hope that you'll show them what's happening to the debt of our country. It's not a projection. Last year, the debt went up $551 billion. This year, according to the administration's estimates, after this improvement in revenue, the debt is going to increase $593 billion. That's not an improvement.

Question: (A series of questions concerning war costs and to what extent they are included in the administration's projections.)

Conrad Answer:

I think we have to remind ourselves of the historic record here. They have consistently under-funded the war in their budgets and then come up here with requests for huge supplementals, which has led the Chairman of the Budget Committee in the Senate and others in the Senate to say, "Enough of that now. You have a responsibility, when you're the fourth year into the war, to budget for it."

And that's led them to at least put some money in. You will recall, for years, they'd come up with a budget they'd have nothing in, zero. And they told us the war was going to cost maybe $50 billion.

You will recall the administration telling the American people the war would cost about $50 billion. They scoffed at the estimates by Mr. Lindsey, who was the President's chief economic adviser, that the war could cost over $100 billion, perhaps as much as $150 billion. Well, we're over $300 billion now and counting.

Question: You mentioned they over-estimated deficits earlier. Do you guys have point estimates for this year and if so, were they higher or lower than the 296?

Conrad Answer:

We think the $296 billion projected deficit may, in itself, be a bit of an overestimate, because revenue month over month has shown a 13 percent increase and they're estimating an 11 percent increase going forward. So we think there may be even some additional improvement in the deficit and, again, to me, it completely misses the point of what's happening to the growth of the debt.

There is a disconnect here that is enormous between the 80's and now. And everybody keeps writing the stories as though we're back in the 80's, when there was virtually no difference between increases in the debt and the size of deficits. Now there is an enormous difference between the two.

The debt is growing geometrically in this country, increased $551 billion last year. It's going to grow $593 billion this year. And they're talking about a big improvement? I don't see any big improvement. Things are getting worse in terms of the fiscal condition of the country, not better.

Thank you all very much.