Transcript of Floor Statement by Senator Kent Conrad (D-ND)
on FY 2004 Republican Budget Conference Report
April 11, 2003

Mr. CONRAD. Mr. President, this is, I believe, the worst budget this Chamber has considered perhaps in its history. It is radical, reckless, dangerous, and extreme. At a time of record budget deficits, it proposes to cut revenues by over $1.3 trillion and increase spending by over $1.1 trillion, driving us deeper into deficits and debt.

It explodes deficits when we are at war, the cost of which is unknown, and right on the eve of the retirement of the baby boom generation which will dramatically increase the cost of Social Security and Medicare.

Make no mistake, the cost of the massive tax cuts in this budget explode at the very time the cost to the Government of the baby boom generation's retirement explodes. There can only be one result, and that is to drive this country off the cliff into deficits and debt on a scale and magnitude never seen in this country's history. That is not just irresponsible, it is wildly irresponsible.

This budget is not a document that represents a conservative approach to governance. It is radical and it is extreme. It says deficits do not matter, that taking virtually every penny of the Social Security trust fund surpluses to fund tax cuts for the wealthiest among us, is the priority for this Nation.

This budget flunks every test of fiscal responsibility and basic fairness. This budget proposes taking trillions of dollars raised from the payroll taxes of middle-class Americans, generated to support Social Security, and uses them to fund an income tax cut overwhelmingly for the benefit of the most wealthy among us.

The President's proposal, which this budget resolution seeks to support, would give a $90,000 tax reduction to those earning over $1 million a year and funds it by taking the payroll tax money of middle-class Americans to pay for it. To the extent it is not paid for by that mechanism, it borrows the money and charges the cost to future generations. That is class warfare of an extreme nature. It takes from the many to give to the few.

The proponents of this budget claim it contains a growth package. It does not. It contains a radical expansion of deficits and debt that can only undermine our long-term economic strength and security. Oh, yes, it will give a momentary and modest lift to the economy. But like the drug addict who gets a momentary high, it will be inexorably followed by the lows brought on by the deadweight of deficits and debt.

The best economists in America tell us that this budget proposal hurts long-term economic growth and threatens our economic security because it is all financed by borrowed money. It is a borrow-and-spend philosophy that doubles our gross national debt over the next decade, right before the baby boom generation retires. This is the time we should be paying down debt or prepaying the liability we all know is to come. Instead, this budget says: Forget about what we know is happening and what is about to happen; let's live for the moment and not worry about the future.

As bad as this budget is -- and it is bad -- the process that brought it here is even worse. I believe it represents an attack on the Constitution itself. Our Founding Fathers intended the Senate to be the place where a determined minority could slow down and perhaps even stop measures that the minority believed could damage our country. So the Senate adopted the right to unlimited debate and the ability to offer unfettered amendments. The budget process used in this conference report has never been done before and fundamentally denies Senators those basic rights. The process, called reconciliation, which restricts Senators' rights to debate and amend, has been twisted like a pretzel into something unrecognizable from what was intended.

Reconciliation was meant to provide a fast-track process to reduce deficits, and now it is being used to explode them. Understand that this budget says both bodies, under the reconciliation provisions, are instructed to cut taxes by $550 billion. If anybody believes this is a measure to cut taxes by $350 billion under reconciliation, that person is profoundly misled. The instruction says clearly: Cut taxes by $550 billion under these fast-track procedures that mean Senators are denied the basic protection of unlimited debate and amendment.

In the next breath, the Senate is told to forget that instruction because there will be a supermajority point of order in the Senate if it is followed. But, in the conference committee, the higher tax cut can be adopted and come back to the Senate and be passed on a simple majority vote under special time limits and with restrictions on amendments that deny every Senator the most basic rights any Senator has.

All this was made possible by a procedure never considered or debated in either body. This scheme was concocted in the conference committee without a single member of the minority present -- not one. We were locked out. So four members of the Senate majority, with two members of the House majority, have constructed a procedure never contemplated in either Chamber which allows the special restrictions and limitations of reconciliation to apply to a tax cut that never passed this Chamber.

This stands the plain meaning of reconciliation on its head. No true reconciliation between the House and the Senate has ever occurred. There was no true meeting of the minds. So they conjured up a new point of order in the conference committee as a figleaf to hide their failure.

Colleagues should understand the extreme nature of what is being done. If a conference committee can add new provisions never debated or contemplated in either Chamber, and do so without the minority, where does it end? Could an abusive minority of the majority, in a conference committee, decide that a supermajority point of order would apply to an individual Senator's right to offer an amendment? Could just a handful of Senators and House Members in a conference committee create a supermajority point of order against amendments on a particular subject? What is to prevent a minority of the majority in a conference committee from fundamentally altering the rights of individual Senators?

This way lies chaos and a descent into unconstitutional government. Mark my words, the Senate will live to regret this day. Unintended consequences, we have seen in the past, flow from very little things.

In 1975, a tax cut of $6 million was used as precedent for using the reconciliation process that was designed for deficit reduction. It was used as a pretext to allow tax cuts of over $1 trillion, tax cuts that have pushed us now into deep deficit and growing debt.

This is what has been agreed to in the conference committee. The reporting has been almost uniformly wrong. They say the tax cut permitted is $550 billion. That is not true. The tax cut in this budget resolution is $1.3 trillion, and that does not count the associated interest costs. It is only one part of the tax cut which is $550 billion. That is the so-called reconciled amount. Those are the amounts that will move under special protection, that will restrict Senators' right to amend, restrict Senators' right to unlimited debate, fundamentally restrict the determined minority's ability to stop what they believe will damage this country in a fundamental way.

I hope anybody voting on this understands. If you vote for this budget resolution, you are voting for $1.3 trillion of tax cuts, of which $550 billion is reconciled, moving under special protection that fundamentally restricts the Senators' basic rights to amend and debate.

Mr. SARBANES. Will the Senator yield for a question?

Mr. CONRAD. I am happy to yield.

Mr. SARBANES. If you count in the additional interest costs which would have to be incurred to do this tax cut because of the borrowing that would be necessary to fill the deficit gap created by the loss of revenues from the tax cut, what would the cost of this tax cut be?

It seems to me eminently reasonable that one also ought to factor in the interest costs associated because you have to borrow money in order to do the tax cut. Am I correct that we would have to borrow money in order to do the tax cut?

Mr. CONRAD. The Senator is on to something very important. Really, this understates the cost of the tax cut. The tax cut that is in this resolution, $1.3 trillion, has an additional cost, the associated interest cost, because this is all borrowed money. That would be another about $300 billion.

So the total cost goes to $1.6 trillion -- truly stunning when we are already at record budget deficits, when we are at war, the cost of which no one knows, and when we are on the eve of the retirement of the baby boom generation. So there can only be one result; that is, to dramatically explode deficits and debt.

Mr. SARBANES. Could I ask the Senator one more question about his chart before he puts it down?

Mr. CONRAD. Yes. I would be pleased to yield.

Mr. SARBANES. There is all this focus about this $550 billion figure as being the amount of the tax cut. But as I understand it, the $550 billion figure is only part of a tax cut that is in the budget resolution. This is the part that would proceed under the special procedures, the so-called reconciliation, which prevents extended debate in order to address the issue. The budget resolution provides $550 billion there, but it also provides an additional $725 billion in additional tax cuts. Now, they would have to go through the regular procedure, but, nevertheless, that is $1.3 trillion. And then you add the interest, and you are talking about $1.6 trillion -- trillion; am I correct? -- $1.6 trillion in tax cuts, at a time when we are in budget deficit.

Mr. CONRAD. Record budget deficit.

Mr. SARBANES. I understand. In fact, I understand that the budget deficit for this year is now projected probably to be twice as much as it has ever been before -- an absolute record budget deficit.

Mr. CONRAD. Yes. We now estimate the budget deficit, under this budget resolution, will be between $500 and $600 billion for this year alone on a $2.2 trillion budget. Some have said these deficits are small. There is nothing small about them. They are massive. They are record. They are the biggest we have ever had in dollar amount.

If we look back to 2 years ago when we were told that we could expect -- instead of deficits -- nearly $6 trillion of surpluses, we now know, if we adopt what is before us, instead of $5.6 trillion of surpluses -- if we adopt the budget resolution before us -- we will have over $2 trillion of deficits over that same period.

Mr. SARBANES. Will the Senator yield for a question on that chart?

Mr. CONRAD. I am happy to yield.

Mr. SARBANES. In January of 2001, when this administration first came in, we were projecting out, over the 10-year time period, a surplus of $5.6 trillion. At the time, President Bush, and his Republican supporters, said: Well, we are going to run this huge surplus. We should do a tax cut because we don't want to be taking taxes just to build up a surplus.

Well, a lot of people said: Don't be so sure about that. Let's not rush into it. Why don't we pay down the debt some more? We are finally doing that. No, no, they wanted to do this big tax cut because we had a projected surplus. Well, they did their tax cut. They rammed that through here. Now we are projecting big deficits, and they want to do another big tax cut, even though they are projecting big deficits.

Whatever the fiscal situation is -- big surpluses or big deficits -- it makes no difference, they are bound and determined to do tax cuts for very wealthy people. As I understand it, the President's tax proposal that he has now made, upon analysis, shows that almost 50 percent of the benefits of that tax cut go to the top 1 percent of the population. Almost 75 percent of it goes to the top 5 percent of the population. So there is this absolutely zealous drive for big tax cuts for very wealthy people regardless of the Nation's fiscal situation and regardless of the fact that this proposal is going to drive us deeper into deficit and deeper into debt. Isn't that the situation?

Mr. CONRAD. It is the situation. And what is most stunning about it is that it is all done at the worst possible time: at a time we are at war, the cost of which none of us can know; and also on the eve of the retirement of the baby boom generation, a cost we do know because the number of people eligible for Social Security and Medicare are going to double. And I believe this proposal is very clear. If this is adopted, this will head us in the direction of massive cuts in Medicare, in Social Security, and most of the rest of Government as we know it.

I think it is absolutely foreordained, if this is adopted, you will see proposals that will be cloaked in the soft language of reform which will hide deep cuts in Social Security, in Medicare, and all other parts of Government. You can really have no other outcome because you have record budget deficits now; and what this proposal is, is to cut taxes by $1.3 trillion, not counting the interest cost, to increase spending by $1.1 trillion over the so-called baseline, including the interest cost. What you are left with, then, is even deeper deficits, right on the brink of the retirement of the baby boom generation which starts in 2008, which we all know what it will lead to. And I will show, as we go through this presentation, where that leads.

Mr. SARBANES. Will the Senator yield for a further point? The Senator made reference to the context in which we find ourselves. I am frank to tell you, I think this is a reckless budget resolution. I think the President's budget proposal was reckless. I think this resolution is reckless. As the very able Senator from North Dakota has pointed out, we are in a war, and we have not only the war costs but the reconstruction costs. We are about to do a supplemental of about $80 billion, most of it devoted to that purpose. And there is no one who contends that is anything other than the initial downpayment on the cost.

But, furthermore, we still have the worldwide battle against al-Qaida and international terrorism. We have to confront the challenge of providing for homeland security. We have other threats around the world, to mention but one, North Korea.

No prudent person would give away their fiscal ability, so compromise it that they cannot deal with those situations the way this budget resolution does. It is extraordinary what this budget resolution is doing.

I ask my friend from North Dakota, isn't there an abject failure to reserve fiscal strength to deal with these pressing problems which we know are right there in front of us?

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Mr. CONRAD. I would be happy to answer my colleague by saying this: This process and this budget, to me, is totally disconnected from reality. In fact, I have never seen a greater disconnect with reality than is represented by this budget. Here we are, with record budget deficits, approaching $500 to $600 billion this year, and what we do is increase spending under this resolution, cut the revenue, plunging the country deeper into deficits, when we are at war, the cost of which we do not know, and when we are on the eve of the retirement of the baby boom generation.

Let me just say, this fiscal turnaround that we have seen -- when people ask us, well, where did the money go? Here is where it went. Over the period in question, 36 percent went to the tax cuts -- both those already passed and those proposed. The second biggest reason for the disappearance of the surplus is the additional spending caused by the attack on the country and the war; that is, the increased defense spending and the increased homeland security spending. The third biggest reason is that revenue is coming in below expectation, apart from the tax cut; that is, the tax cut is the biggest single reason. The third biggest reason -- close to the second -- is that revenue is coming in below what was anticipated. And the smallest reason, over the 10-year period, is the economic downturn at 9 percent.

The result of all this is that the budget before us -- after many of the Members of this body pledged not to take Social Security for other purposes -- this is the total amount of Social Security surplus over this period: $2.7 trillion. This budget takes $2,698,000,000,000 from the Social Security trust fund surpluses and uses it for other purposes, uses it to fund the tax cut, uses it to pay for other things.

This budget has deficits. Some have said they are small and short term. Here is what they are. They are not small, and they are not short term. This year we now anticipate a deficit on an operating basis of $558 billion, by far the biggest we have ever had. You see throughout the rest of the decade, we never get below $300 billion in deficits. Again, that is not counting Social Security, not taking Social Security and using it to pay for other things.

Mr. SARBANES. Will the Senator from North Dakota yield for a question about one of his charts?

Mr. CONRAD. I am happy to yield.

Mr. SARBANES. I would like to go back to the previous chart. As I understand it, because of the tax cut and also because we are constrained to do these programs for the war and for homeland security, over this 10-year period we are going to be using $2.7 trillion from the Social Security trust fund to cover those costs; is that correct?

Mr. CONRAD. That is correct.

Mr. SARBANES. As I understand it, if we didn't do that, that $2.7 trillion would be in the Social Security trust fund to help us take care of the extra stress on the system that will come from the retirement of the baby boomers, this upsurge in people taking retirement, so that one needs to understand if you didn't do the tax cut or if you constrained some of these other programs, you wouldn't then be drawing down the Social Security trust fund and, therefore, it would be in a better position to address the extra stress that will come when the baby boom generation retires. Is that the connection one should be making here?

Mr. CONRAD. Let me just say, the Senator has put his finger on what to me is so stunningly irresponsible about this budget. If this money was not being taken and used for other purposes, the surplus money, it could then be used in one of two ways. It could be used to pay down debt that would better prepare us for what is to come, or it could be used, some portion of it, to prepay the liability of what we know is to come. That is what other countries are doing. Other countries, recognizing the same demographic time bomb, are taking the surpluses being generated now in their trust funds and are investing them or they are prepaying the liability.

We, instead of paying down debt or prepaying liability, are using the money for tax cuts and for other expenditures of government that leave us less capable to deal with what is to come. That is a profound mistake, and we will live to regret it. And we will then face a circumstance in which we will be asked to make even more draconian reductions in the benefits of those programs, or drastic tax increases.

Let me say, the President told us 2 years ago his budget would pay down a record amount of national debt. He said: “We will pay off $2 trillion of debt over the next decade. That will be the largest debt reduction of any country, ever.” He said then: “Future generations shouldn't be forced to pay back money that we have borrowed. We owe this kind of responsibility to our children and grandchildren.” I believe the President was absolutely right in saying that.

But look at what is happening. There is no record paydown of debt. There is no paydown of debt. Instead the gross debt of the United States is exploding. From $6.7 trillion in 2003, instead of being virtually paid off, which he said would occur by 2008, we are nearly doubling the national debt just in this 10-year period. So the national debt would be $12 trillion at the end of 2013 if this budget is adopted, the plan that it contains.

The President this year told us: “This country has many challenges. We will not deny, we will not ignore, we will not pass along our problems to other Congresses, to other presidents and other generations.” In this very budget, what we see contained is a call for the biggest increase in the debt limit in the history of the country. They are asking for a $984 billion increase in the debt limit as part of this proposal. That is the biggest increase in the national debt in the history of America.

Mr. SARBANES. Will the Senator yield?

Mr. CONRAD. I am happy to yield.

Mr. SARBANES. This budget conference report is seeking an increase in the debt limit of just under $1 trillion; is that correct?

Mr. CONRAD. Yes, $984 billion. The previous record increase was under the previous President Bush, November of 1990, when they got a $915 billion increase in the debt limit. As you know, the House has different rules than the Senate. We will not conclude action on the debt limit here probably until sometime later. But that is what this budget resolution contemplates, an increase in the debt limit now of $984 billion, nearly a $1 trillion increase in the debt.

Mr. SARBANES. If the Senator will yield further, until when is this additional $1 trillion increase in the debt limit? Until when is it supposed to last? Will they not come back at any point, or are they going to come back again and again seeking increases?

Mr. CONRAD. Under this budget proposal, they will probably have to come back as early as next year --

Mr. SARBANES. Oh, my.

Mr. CONRAD. -- late next year and ask for even more expansion of debt because this budget resolution is one constructed on deficits and debt. It is a testimony to deficits and debt. It can only get worse.

It is interesting, the effect on the rest of the budget. For example, the interest costs, we were told 2 years ago the interest costs to the Federal Government over this next decade would be $622 billion. Instead, because of the failed fiscal plan, the interest costs alone will be $2.3 trillion. That is an increase in interest costs of $1.7 trillion. Obviously, we have to pay it because we have borrowed it, and we owe it. But those are dollars that can't buy a single tank. They can't buy a single weapons system. They can't buy a single airplane. They can't educate a child. They can't house the homeless. They can't do any of the other things the Federal Government has responsibility for. They can't pay down debt. Those are dollars that are just used to service the debt we are running up.

Mr. SARBANES. Would the Senator yield on that point?

Mr. CONRAD. I am happy to.

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Mr. SARBANES. Mr. President, I would like to put a question to the Senator from North Dakota.

Mr. CONRAD. I am happy to yield.

Mr. SARBANES. Mr. President, when this administration came into office, it was my recollection that the Federal budget was running a surplus. Therefore, there was not only no increase in Federal interest costs, but we were, in fact, year to year, reducing Federal interest costs and had done so for 2 or 3 years prior to President Bush coming into office; is that correct?

Mr. CONRAD. The Senator is correct. We had actually been in the happy circumstance of not only running a balanced budget, but running a surplus. In fact, we had stopped the practice of taking Social Security trust fund surpluses to fund other functions of Government. It was critically important that we do that because we are getting close to the retirement of the baby boom generation.

Some of our colleagues say to us that, you know, deficits don't really matter anymore. What a profoundly wrong notion that is. Obviously, deficits matter. When the Federal

Government is compelled to borrow money, that puts us into competition with others who want to borrow money, that drives up the cost of interest rates, and that slows the economy. That is why when I reviewed this budget, it is not an economic growth budget, it is a budget that will hurt long-term economic growth because of the deadweight of these deficits and debt. That is not just my opinion.

I will get to the point in the presentation where we talk about others who are economists who have been hired by the White House, by the CBO, to tell us the implications of what is being done; and what they have concluded is that this will hurt economic growth because it is all being financed by borrowed money.

What does that mean? When the Federal Government borrows money, we are in competition with the private sector, and that reduces the pool of societal savings. That is a dissavings. When you reduce the pool of societal savings, that reduces the amount of money available for investment and that hurts long-term economic growth.

It is not just this Senator who says that. Interestingly enough, the CBO is headed by a man chosen by our colleagues on the other side, who came directly from the White House. He has done seven long-term models looking at the effect of this budget. In four of the seven, he said deficits would be even worse as a result of this budget proposal. In three he found it would be better, but only on the assumption that Americans, over the next decade, would work harder in preparation for the massive tax increases that will inevitably flow from the adoption of this kind of a budget.

I hope people understand where this is all headed because it is as clear as it can be. Nobody can vote today and say they didn't know. Nobody can vote today and not have their record reviewed and have people look back and say these people led us down a path of deficits and debt that fundamentally weakened the country.

This is a chart from the President's own budget document. This comes from his analytical perspectives, page 43. This is his long-term outlook. We never escape from deficit under the President's plan -- never -- according to his own estimates. In fact, we are in the sweet spot now. You can see that the deficits here are the smallest they are going to be. Yet these are record deficits. It may look like a small amount of red, but it is the most red we have ever experienced, and it is going to get worse. Under the President's own analysis of his plan, it gets worse because the cost of the tax cuts explode at the very time the cost of the Government explodes because of the retirement of the baby boom generation.

Mr. SARBANES. Will the Senator yield for a question on that chart?

Mr. CONRAD. Yes.

Mr. SARBANES. As I understand it, this chart shows the percentage of the deficit as a percent of the gross domestic product and it carries out here -- it is almost 14 percent at this point; is that correct?

Mr. CONRAD. That is correct. If this were in dollar terms, I could not put it on a chart. The sea of red ink that would follow would not fit on any chart that I am allowed to use on the Senate floor.

Mr. SARBANES. The European Union, when they had the economic agreement with respect to all the European Union countries, said as a requirement that the deficit that a country was running could not be greater than 3 percent of GDP; and countries had to go through a rigorous effort to get below the 3 percent of GDP figure as a deficit.

Yet what the President has given us, and what is reflected in this budget resolution as a first significant step in that direction, is a policy that is going to put the deficit as a percentage of GDP in the double figures. It will well exceed 10 percent.

Mr. CONRAD. What is interesting is that, right now, we would not be eligible to join the European Union because our deficit is in excess of what is required for a member state to join the European Union. We would be disqualified. We are headed for a circumstance in which we would not be qualified for decades to come.

The fundamental reason is contained on this chart, I say to my colleague. This, to me, is the single most important thing to understand. This chart shows the Social Security surplus, Social Security trust fund, the green bar. The blue bar is the Medicare trust fund. The red bar is the cost of the proposed and already-enacted tax cuts. What one can see is that right now we are running big surpluses in the Medicare and Social Security trust funds. In fact, the tax cuts right now, in this part of the time period, are less than the trust fund surpluses. Look what happens when the baby boomers start to retire and those trust funds go cash negative. It is at the very time that the cost of the President's tax cuts explode. What does that do? That leads us into deep deficits and debt.

I don't want anybody to conclude from this that this Senator doesn't favor some tax cuts because I do. I think they are necessary right now to stimulate the economy, give lift to the economy. But we have to balance the need for short-term additional stimulus both by way of spending and tax cuts, with the long-term need to return to fiscal balance and to prepare for retirement of the baby boom generation.

What is being done here does neither because only 5 percent of the cost of the President's proposed tax cuts in the stimulus package are effective this year, when we need the stimulus, when the economy is weak. Ninety-five percent of the cost is in future years, when it is only going to explode deficits and debt. It will lead to a weakened economic position and will fundamentally alter this country's ability to meet its obligations.

Mr. SARBANES. I am struck in looking at that chart by the extent to which these tax cuts -- the cost of them -- explodes, as the Senator says, in future years.

For instance, take the year 2023, this is all deficit. But all of this part of that deficit is from the explosion of the tax cut. The balance is from what happens on the trust funds for Medicare and Social Security. But this chart so clearly demonstrates that these tax cuts that are being talked about have built into them a tremendous expanded cost in future years.

It is extraordinarily dramatic because all of that is exploding tax cuts. We are being set on a path that is just dooming us to large deficits and large debt.

Mr. CONRAD. Mr. President, I say to my colleague, what this means is not just numbers on a page, not just deficits, whether people care about deficits or not, they matter a lot to the functioning of the economy. They matter a lot to the ability of the United States to keep its obligations.

The implication of all this is much more direct. This is going to compel at a future time, according to the former Congressional Budget Office Director, massive cuts in benefits of Social Security and Medicare, massive tax increases, and massive debt. That can be the only outcome because none of this adds up in any serious way.

For those who say deficits do not matter, Chairman Greenspan of the Federal Reserve believes deficits matter. This is what he said in testimony before the Banking Committee, where my colleague is the ranking member:

"There is no question that as deficits go up, contrary to what some have said, it does affect long-term interest rates. It does have a negative impact on the economy, unless attended."

It is not just the view of the Chairman of the Federal Reserve, but the Committee for Economic Development, which is made up of some of the most prominent business leaders in the country, which has looked at these budget proposals, and this is what their conclusion is:

No. 1, current budget projections seriously understate the problem;
No. 2, while slower economic growth has caused much of the immediate deterioration in the deficit, the deficits in later years reflect our tax-and-spending choices;
No. 3, deficits do matter;
And No. 4, the aging of our population compounds the problem.

The other day in the New York Times, some of our most able former colleagues and former members of administrations, both Republican and Democrat, put out this op-ed. This is former Senator Kerrey, former Senator Nunn, both Democrats, former Senator Rudman, a prominent Republican, Pete Peterson who was in the Cabinet of a Republican administration, Robert Rubin, former Secretary of the Treasury, and Paul Volcker, the distinguished former head of the Federal Reserve. They asked the question:

"Will Congress stand up for fiscal responsibility?" They said in this article: "Tax cuts are the primary focus of this year's budget debate. To speed enactment, Congress is planning to use a special fast-track procedure called reconciliation. While determining the size of the tax cut to be given fast-track protection in the budget is sometimes dismissed as a procedural matter, it is not. Whatever its size, a tax cut that receives this protection is almost certain to be enacted in later tax legislation. Given the rapidly deteriorating long-term fiscal outlook, neither proposal" -- Neither the House nor the Senate proposal -- "is fiscally responsible. It is illogical to begin turning back toward balanced budgets by enacting a tax cut that will only make the long-term outlook worse. Furthermore, the proposed tax cuts are not useful for short-term fiscal stimulus, since only a small portion would take effect this year. Nor would they spur long-term economic growth. In fact, tax cuts financed by perpetual deficits will eventually slow the economy."

When our friends say this is a growth package, it is not a growth package. This is a package that undermines long-term growth. We have six of our most distinguished colleagues, former Senators and former members of the Cabinet, on a bipartisan basis telling us that is the case.

We do not have to just look to the Chairman of the Federal Reserve or former Cabinet members or former Senators; we can look at the people who have been hired by the White House to tell them the effect of their policies. This is what they said.

They showed that the policy being proposed will give a short-term bump, but after 2004, we will get less economic growth than if we did nothing. We would be better off to do nothing than to adopt this policy because it explodes deficits and debt. The deadweight of those deficits and debt will hurt long-term economic growth.

We have another distinguished economist, the head of Economy.com, who did this analysis of two competing proposals, what the Democrats proposed and what the President proposed. This is their conclusion.

The Democratic plan will give almost twice as much economic growth in 2003 and 2004 and not do the long-term harm of the President's proposal because we do not explode the deficits and debt in the way the President's plan and the budget plan before us does.

If we just want to look at reality, since we pursued this course, since we have gone to this notion of borrow and spend, here is what has happened. We have lost 2.6 million jobs.

Mr. SARBANES. Mr. President, will the Senator yield on that point?

Mr. CONRAD. I will be happy to yield.

Mr. SARBANES. My understanding is that the unemployment rate in the course of this administration has gone from 4 percent to almost 6 percent unemployment, and that the number of long-term unemployed, people out of work for more than 26 weeks, is now at almost 2 million people. The consumer confidence in the latest survey is at a 10-year low. So we are facing serious economic challenges.

Of course, the Senator suggested, and the quote he put from our former colleagues, that you could do some effort to boost the economy this year and next year to try to bring us out of this situation, but the President's proposal does very little of that.

What the President's proposal does is put into place these exploding tax cuts out to future years that will significantly boost the deficit and the debt problem, rather than addressing the immediate challenge we have of trying to give a boost to the economy and give a boost to the economy now. So not only does this budget proposal commit the Nation to a serious long-term fiscal problem, but it fails to do what needs to be done in the short term, in terms of trying to restore jobs and economic growth. I ask my colleagues, is that not correct?

Mr. CONRAD. I believe that is correct. I say to the Presiding Officer in response to my colleague, I really do not know what could be more clear. We do not need to just look at economists' projections. We can look at our own history.

We had this attempt in the 1980s to pursue the economic policy that is now being attempted. It did not end happily. It exploded the deficits and debt of the country. It quadrupled the national debt.

Then in the nineties, we took a different approach, the approach of balancing budgets, of investment in technology, of bringing down Federal spending, of raising revenue to balance budgets. What it kicked off was the longest economic expansion in our Nation's history. We turned deficits into surpluses, and we had the lowest unemployment rate in 30 years, the lowest inflation rate in 30 years, and the strongest period of business investment in our Nation's history.

That is a real-world example of two competing views of how to strengthen the economy. Now we are going back to the failed policy of the eighties and doing it at the worst possible time. Then there was time, before the baby boomers started to retire. Now there is no time. The mistakes that are made now will be paid for by increased debt, by reduced benefits, by increased taxes. That is where we are headed.

And I would quote again our most distinguished colleagues warning us:

"Congress cannot simply conclude that deficits do not matter. Over the long-term, deficits matter a great deal. They lower future economic growth by reducing the level of national savings that can be devoted to productive investments. That is the argument I have been making this morning. They raise interest rates higher than they would be otherwise. They raise interest payments on the national debt. They reduce the fiscal flexibility to deal with unexpected developments. If we forget these economic consequences, we risk creating an unsupportable tax burden for the next generation."

I guess we are in this mode now where we live for the moment. I guess we do not worry or care about what we do now, how it affects the future. But we ought to. The lessons are clear. The warning signs are there.

Every Senator is going to be responsible for their vote. Every Senator can be held accountable in the future for what they did to either strengthen this country or to weaken it. Every Senator is going to have a very clear choice in a few hours: Do they support a budget that plunges us deeper into deficits and debt, or do they say it is time to pull back?

This is the economic record on job creation of administrations going back to President Eisenhower. Every one of them created jobs. This is the first one to lose private sector jobs in

50 years.

If we look to public opinion, the American people are saying:

“On the home front, Americans strongly agreed with the past week's Senate action to slash the President's proposed tax cut. Two in three respondents -- Republicans, Democrats and independents alike -- favored the Senate plan to reduce Bush's $726 billion tax cut by more than half to help pay for the war, shore up Social Security and reduce the deficit.”

That is two-thirds of the American people sending us a message. I do not think we should do budgets based on polling, but I do think we ought to do it based on common sense, and common sense ought to tell us that exploding deficits and debt when we are at war, exploding deficits and debt when the baby boom generation is about to retire, exploding deficits and debt when we know it will harm long-term economic growth, is truly a fool's errand, and we will live to rue the day we made shortsighted decisions.

I yield the floor.