

**Transcript of Opening Statement by Senator Kent Conrad (D-ND)
on FY 2006 Senate GOP Budget Resolution
March 14, 2005**

I thank the Chair and I thank my colleague, the chairman of the Senate Budget Committee, for the many courtesies he extended to me and to my staff during consideration of the budget in the Budget Committee. He described it accurately and well, that it was a very professional process and we had a good debate on a whole series of issues. Many of those debates will now be out on the Senate floor.

I do not think it will surprise people that my take on this budget is somewhat different than the distinguished chairman's take on it. That is what debate is all about. That is what democracy is all about, the chance to have differences and to debate them and to vote on them. That is the genius of our system. The way we arrive at truth, to the extent we do in this system, is we have a debate and a discussion, and we have a contest over ideas. That is a healthy thing. It is a good thing. That is what we are about to go through.

As I look at this budget, I see something quite different than the chairman sees. I see a failure to face up to the major challenges confronting the country. I agree with him in terms of his diagnosis of where this is headed with respect to deficits, debt, and the explosion of the costs of the entitlement programs. I agree with that diagnosis. Where I disagree is that this budget does anything in any significant way to confront those challenges.

In fact, this budget makes it all worse. That is the fundamental reality. This budget digs a hole deeper. This budget produces more deficits than if we did not have a budget resolution at all. If we put it on autopilot, we would be better off than what this budget does.

Each and every year of this budget, the deficit is increased over the so-called baseline budget. That is the reality. Perhaps to understand how we got to this circumstance, we have to look back before we can look forward. We have to look back first to 2001, when the President told us: “[W]e can proceed with tax relief without fear of budget deficits, even if the economy softens.” That is what the President told us in 2001.

But look what happened. The President was wrong. We went from a surplus in 2000, the year before President Bush came into office, and the deficit situation has declined each and every year to now record levels of deficit, the biggest deficit in dollar terms we have ever had. So when the President assured us we could have massive tax cuts and we would not have deficits, he was simply wrong.

But he was not just wrong on that issue, because the next year he told us: “[O]ur budget will run a deficit that will be small and short term...” He said this in his State of the Union Address on January 29, 2002.

Unfortunately, that was wrong, too, because these deficits are not small and they are certainly not short term. In fact, what we see going forward to 2015 is an ocean of red ink, the biggest deficits we have ever had in dollar terms.

So when the President said they would be small, he was wrong. They are very large deficits. When he said they would be short term, he was wrong again. These are long-term deficits and deficits that are as far as the eye can see.

That is not just my conclusion, that is the conclusion of the Congressional Budget Office as well. If we put back the things the President has left out, the ongoing war costs, the need for alternative minimum tax reform, and the money he is taking from Social Security -- it is an interesting thing because at the same time the President says there is a shortfall in Social Security, under his budget each and every year he takes every dime of Social Security money that is available to take and uses it to pay for other things. Again, the President was wrong when he told us these deficits were going to be small and short term.

The next year the President told us in his budget submission: “[O]ur budget gap is small by historical standards.” Again, the President has simply proved to be wrong.

Let us put up that next slide that shows a historical comparison of the deficits under President Bush compared to the three previous administrations. The President says the deficits he is writing are small by historical standards. One can look at the last three administrations and see that his deficits are by far the largest.

Let us go to the next slide. The President now says to us, well, we have deficits, so forget about that assertion that there are not going to be any. They are clearly not small and short term. They are clearly not small by historical standards. So now he assures us he is going to cut the deficits in half over the next 5 years. Well, let us look at the reality with respect to that assertion, because what we find is something quite different.

This is the President's claim. He says the deficit is going to be cut in half over the next 5 years, but he gets that result simply by leaving out things. He leaves out war costs past September 30 of this year. He leaves out the need to reform the alternative minimum tax, which is the old millionaire's tax which is rapidly becoming a middle-class tax trap. It costs over \$700 billion to fix. There is not a dime in this budget to do it. Surprisingly, he leaves out the cost of his major proposal, which is to change Social Security, and the cost of his proposed change is in the trillions of dollars, over \$700 billion the first 10 years but over 20 years over \$4 trillion of costs. He does not have any of it in his budget.

The President also told us back in 2001: “...(M)y budget pays down a record amount of national debt. We will pay off \$2 trillion of debt over the next decade. That will be the largest debt reduction of any country, ever. 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.”

We can now look back and check the record and see if the President's assertions were correct or incorrect. Again, he was wrong with virtually every major claim he made on the deficit. Unfortunately, the same is true with respect to the debt. The President said he was going to pay down \$2 trillion of debt. Unfortunately, we do not see any paydown in debt. The debt is exploding.

The assertion by the President that he was going to pay down the maximum amount of debt available to pay down evaporated, like his claims on the deficit. Instead, the debt is skyrocketing, and under the budget the President has sent to us, we see nothing but continued growth of the debt.

When the President came into office, the publicly held debt was \$3.3 trillion. We now forecast by 2015 it will be \$9.4 trillion, almost a tripling of the debt at a time the President said he was going to have maximum paydown of the debt.

One of the most interesting claims I get from colleagues on the other side of the aisle is that these massive tax cuts have nothing to do with the deficits and nothing to do with the growth of the debt. Well, how is that? How can that possibly be true?

I remember very well this chart that the Congressional Budget Office showed us back in January of 2001. This chart shows the range of possible outcomes for the deficit, and the administration chose the midpoint of this range in telling us in 2001 we could expect \$6 trillion of surpluses over the next decade. But now we are able to go back and see what actually happened.

I remember so well, my colleagues on the other side told me, when I warned them against taking this 10-year forecast in the Budget Committee to the bank -- I repeatedly warned it was very risky to count on a 10-year forecast -- many of my friends on the other side said: Kent, you are being much too conservative. Don't you understand the tax cut will generate even more revenue? Don't you understand, when we put in place these tax cuts, we are going to get a tremendous revenue impact, more revenue than is forecast? They told me we are going to be in the top end of this range.

Let's look at what actually happened. We can now see the record. The record is the red line. This is what happened to the deficits. We didn't get more money, we got less money, and the result is, combined with more spending on defense and homeland security and rebuilding New York, that the deficits are far worse than even the low end of the range projected back in 2001.

Let's check reality. When our friends say if you cut taxes you get more money, that has not been the experience. The experience has been very clearly when you cut taxes, you get less money. In fact, we got a lot less money, 3 years in a row with less money than the year before. That is unprecedented since World War II.

It is not just tax cuts. Tax cuts are about half the reason. The other half is economic downturn and forecasts that were overly optimistic.

Nonetheless, I want to go back to the point. I don't want anybody to miss this point. Here is what is forecast, this possible range of outcomes. They chose the midrange on which to base their spending and taxing policies. Many said, with the massive tax cuts you will get more

money. But here is the reality. Here is what happened in the real world: A lot less money, much bigger deficits, and an exploding debt.

If we look at the budget turnaround since 2000, that is the difference between what was projected and what actually occurred. What we see is that the revenue loss accounts for the bulk of the budget turn around. In fact, reduction in revenue is three-quarters of the reason for the move from dramatic surpluses to dramatic and growing deficits. I think it is very important for us to be dealing in facts here, not rhetoric, not hope, not ideological belief, but facts. The facts are that the revenue side of the equation collapsed.

Do you remember, back in 2000, revenue was running at almost 21 percent of GDP? The President said: That is very high by historical standards. And he was right. He said: As a result we need to cut taxes. I must say I also supported cutting taxes. I didn't support the particular plan that he advocated, but I believed we needed to cut taxes to give lift to the economy at the time. But I also believed we needed to reduce the amount of the tax cut over an extended period so that we would avoid going back into deficit and debt. That is where the President and I parted ways. I believed we needed to have tax cuts. In fact, I supported greater tax cuts than the President proposed, to give lift to the economy at a time of economic weakness. But the President wanted to go much further, and here is what happened.

We had 21 percent of GDP in 2000 coming in, in revenue. Last year we were down to 16.3 percent of GDP. That is the lowest it has been since 1959. The revenue side of the equation collapsed. Again, about half of that is due to tax cuts.

I listened very carefully to my colleague. He talked about the reason the revenue had gone down. He never mentioned the single biggest reason. He never mentioned the tax cuts. But the tax cuts are the biggest single reason for the revenue collapse. Again, I, too, supported tax reductions at a time of economic weakness to give lift to the economy. I didn't think the particular mix of tax cuts was the most effective because, unfortunately, the tax cuts that were put in place were largely weighted to the wealthiest among us. I think we would have been much better targeting the middle class and lower middle class because those are the ones most likely to spend those tax cuts. But beyond that, the question is, going forward, How much can we afford? What is the relationship between spending and revenue? That is what is critical. That is what creates deficits.

Our friends on the other side only want to talk about spending. Spending is one-half of the equation, revenue is the other half of the equation. It is the difference between how much you are raising and how much you are spending that leads to deficits. This chart goes back to 1980: The red line is the spending line, the green line is the revenue line. You can see very clearly back in the 1980s we had a big gap between spending and revenue. We were spending much more than we were taking in. As a result, we had record deficits at the time.

Then we got spending under control. In fact, interestingly enough, during a Democratic administration spending as a share of our national income went down every year. Spending went down in a Democratic administration and revenue went up. It was that combination of reducing

spending and raising revenue that brought us back to balance. In fact, for 3 years we were running surpluses. We even ran surpluses sufficiently strong to stop taking Social Security money and using it to pay for other things. We stopped the raid on Social Security.

Then President Bush came into office. We had the tax cuts, we had an economic slowdown, and the revenue side of the equation plunged. We didn't get more revenue from tax cuts, we got less revenue. Is anybody listening? We didn't get more money with tax cuts, we got less money. And spending went up -- though still far below where it was in the 1980s and 1990s, but spending went up. I am not faulting the President. We all agree spending had to go up on defense, on homeland security, on aid for New York, on the bailout of the airlines, and 91 percent of this increase in spending was in just those areas: Defense, homeland security, aid for New York, and bailing out the airlines. That is where the increase in spending occurred. Still, the spending is substantially below where it was in the 1980s and 1990s.

The biggest culprit in the explosion of deficits was on the revenue side of the ledger. These are facts. This is not an ideological argument. It is just facts. I think that is what we have to concentrate on if we are going to get out of this mess. It is going to take spending discipline without question. We have to deal on this side of the ledger. But we are also going to have to deal on the revenue side of the ledger, and our friends on the other side of the aisle never want to talk about it.

This year, the President has said: "We've got to do something about the deficit....it's important." He is right. We have to do something about the deficit because these deficits are much too high, and as far as the eye can see there is no reduction anywhere in sight.

If we look at the President's budget, what we find in terms of doing something about the deficit is largely rhetorical. What the President's idea is of doing something about the deficit is just leave out things. Leave things out of the budget and that makes the numbers look better. It doesn't really change things though. This is the way you fool yourself, and this is the way others might get fooled. This is how institutions, companies, and individuals get into trouble. They start not quite telling the whole story. Maybe they don't even quite tell the whole story to themselves.

When I look at the President's budget, that is what he and his people are doing. They are not really including everything. They are leaving things out to make the numbers look better.

What have they left out? First of all, they switched from 10-year budgeting to 5-year budgeting because they know right beyond the 5-year budget window things look much worse.

They have left out funding for ongoing war costs beyond September 30 of this year. Just don't include it. They say to me: It is hard to predict what the war costs might be. That is true, it is hard to predict. That is what a budget is all about. Can you imagine a family leaving out their utility bills because they are hard to predict month to month? Can you imagine a family leaving out the food bill because it is hard to predict? But that is what the President has done. He has left out the war costs past September 30 of this year because it is hard to predict.

He has left out the cost of alternative minimum tax reform. Alternative minimum tax, that is the old millionaire's tax. It affects 3 million people now, and 10 years from now it is going to affect 40 million. It costs over \$700 billion to fix. The President doesn't have one dime in his budget to address this problem. Last year, interestingly enough he had 1 year of fix in his budget. This year he doesn't even do that. I can make a budget look pretty good if I leave things out, and that is what the President is doing.

Most remarkably, he has left out completely the cost of his Social Security privatization plan. He doesn't have one dime in his budget to cover the cost of a Social Security privatization plan that in the first 10 years costs over \$700 billion. He doesn't have a dime in his budget. Over 20 years, his plan costs over \$4 trillion. His answer is, borrow the money. On top of the already record deficits, borrow the money. I am going to, in a minute, get into why that is a very risky course for this country.

The President also does something very interesting in this budget. He only provides details on discretionary spending. Those are accounts like education, law enforcement, parks -- he only provides what he intends to spend in those areas for 1 year. Not since 1989 has a President failed to tell Congress and tell the American people what the outyear effects of his programs are; what the future years' effects of his programs are. But this President, for the first time since 1989, says he is not going to tell us that. I suspect the reason he is not going to tell us that is because it gets pretty grim by the time you get out to the third, fourth, and fifth year.

When the President's people came to me and said they had a plan to cut the deficit in half over 5 years, and they showed me the plan, I said to them: Why don't you leave out some more things and claim you balanced the budget because what you are doing is you are making progress by denial, by leaving things out.

When I go back and add in what the President has left out, I get a very different picture than is being presented on this floor about the budget going forward. When I go back and add up the things the President has admitted -- the need for alternative minimum tax reform and the war costs, when I put in the amount of Social Security money that the President is taking to pay for other things, to try to arrive at what the real operating deficit of the United States is, here is what I find. I find an operating deficit in 2006 of \$579 billion; increasing in 2007 to \$584 billion; in 2008 to \$586 billion; in 2009 to \$595 billion; and improving by \$1 billion in 2007 to \$594 billion.

These are my best estimates of what the operating deficits are going to be under the President's plan. Not an improvement. There is no cutting the deficit in half. Instead, massive operating deficits, adding to the debt by almost \$600 billion a year, each and every year for the next 5 years, and after 5 years, it gets much worse. This is not what the American people deserve in terms of being told about the fiscal condition of their country.

Let me go back to the specifics of the things the President has left out. Here in war costs there is \$82 billion in a budget supplemental put in this year, but there is nothing past September 30th of this year in the President's budget. The Congressional Budget Office says \$383 billion is

what we can expect. There is \$300 billion left on the cutting room floor, real costs that a real budget would include.

It is not only there that we see a hiding from the American people of how serious our fiscal condition is. If you look at the President's tax cut proposal, that is where it is most dramatic. The dotted line on this chart is the first 5 years of the President's plan. Making the tax cuts permanent has a modest cost in the first 5 years. But look what happens right outside the budget window: The costs of the President's tax cut plan absolutely explode. Is this, perhaps, a reason that the President moved from 10-year budgeting to 5-year budgeting? Did he want to disguise the full effect of what he is proposing from the American people? Did he want to hide it so that people did not see where this is all headed?

I have already shown that in the next 5 years the operating deficits will be running in the neighborhood of \$600 billion a year. But look what will happen if the President's plan is adopted. These deficits are going to skyrocket because the revenue hemorrhage will skyrocket.

It is not just the revenue hemorrhage but the other items as well. This is, according to the Congressional Budget Office, the money that is needed to fix the alternative minimum tax. I said it was over \$700 billion. It is actually \$774 billion. Not a dime of it is in the President's budget. And it gets much worse after the first 5 years. Of course, the President's budget has none of it. That is hidden from the American people.

On the President's Social Security plan, the first 10 years cost \$754 billion. Here is what is in the President's budget: zero. Nothing. When we get to the 20-year cost, others are saying even more than this. My own projection is \$4.4 trillion for the cost of the President's privatization plan. Why? Because if you take some of the payroll taxes and divert them into private accounts, you have to replace the money you have taken from somewhere. The President's proposal is, borrow it. Just borrow another \$4 trillion.

I am at a loss for words. I feel more and more as though I am involved in a surreal discussion in a surreal exercise on the budget of the United States. We have record deficits now. The President says, cut the revenue some more and add more to the spending, but he leaves a lot of it out of the budget and says he is going to cut the deficit in half. He has been wrong on each and every one of his forecasts. Not wrong by a little bit, but wrong by a country mile.

Here is the Comptroller General of the United States, the head of the Government Accountability Office. He warns the fiscal outlook is worse than claimed. He said to the National Press Club in February of this year: "The simple truth is that our nation's financial condition is much worse than advertised." That is the truth. That is the truth, right here. Here is a guy who is telling the truth. "The simple truth is that our nation's financial condition is much worse than advertised."

I go back to the chart. The President says he is going to cut the deficit in half, but he gets there by leaving out things. When you put the things back, what you see is massive deficits, massive additions to the debt.

In fact, by 2015, each family's share of the debt will total, according to our calculations, over \$73,000. That is where these fiscal policies are leading.

When the President says "the people's money," he is exactly right. It is the people's money. It is also the people's debt. The President says let's not pay the people's bills. Let's borrow the money. Guess what. In whose name is he borrowing it? He is borrowing it in our names. He is borrowing it in the names of all of us who are responsible for ultimately paying off this debt. So when the President says the people's money, absolutely, it is the people's money; it is also the people's debt. The President is running up the debt in a record way and at the worst possible time, right before the baby boomers retire.

There is another part of this that I don't think is being shared with the American people. Where are we borrowing all this money from? Where is it coming from? Increasingly, it is coming from abroad.

Here is what has happened. When the President came into office, we owed an external debt. Foreign holdings of our debt were just over \$1 trillion. In the short time this President has been in office, that has almost doubled. Foreign holdings of our debt have gone up 92 percent in the term of office of this President. It took 200 years to get external debt of \$1 trillion and this President has taken us to \$2 trillion in just over 3 years.

Here is where the money is coming from. We have now borrowed over \$700 billion from Japan. Hard to believe, isn't it? We have borrowed over \$700 billion from Japan. I read in the paper the other day that Japan now holds \$840 billion of United States dollars. They are sitting on \$840 billion of United States dollars. We have borrowed \$712 billion from Japan. We borrowed \$160 billion from England. We borrowed \$69 billion from the so-called Caribbean banking centers. We have borrowed \$69 billion from South Korea. We have borrowed \$60 billion from OPEC. That is the oil exporting countries. Here we are. We have borrowed money all over the world. And it is increasing dramatically.

So what? What difference does it make? The difference it makes is it makes us more and more vulnerable to the decisions of foreign central bankers as to the economic security of this country. It is that simple. It is that important.

What happens to your relationship with the banker when you owe money versus when you have a big deposit? Does your relationship change? Sure it does. Our relationship is changing with the rest of the world because we have gone from being the biggest creditor nation in the world to being the biggest debtor nation in the world. So now we are very dependent. When we have a bond action to finance the credit and debt, we are increasingly dependent on foreign governments and foreign central banks to buy this debt.

This is a story from January from the Financial Times. "Central Banks Shun US Assets. Shifting reserves to eurozone will deepen Bush's difficulties in funding deficit. Actions likely to undermine dollar's value further." Friends, that is the risk that is being run by these massive budget deficits, by these massive trade deficits. We are more and more dependent on others.

We are more and more dependent on Japan loaning us money; on China loaning us money; on South Korea loaning us money.

What happens if they decide some day they are not going to continue loaning us money? What happens then? We have had a couple of indications in the last few months. A few weeks ago, February 23, Korea said they were going to limit their dollar holdings. "Central bank's plan upsets exchanges. Fears flared anew yesterday that the United States dollar might lose a crucial underpinning of support -- purchases by the world's central banks -- after South Korea's central bank said in a report that it plans to invest more of its holdings in the currencies of other countries."

What happened? "news of the report, ... sent the dollar skidding on foreign exchange markets. The Euro was trading at \$1.3259 late yesterday, up from Monday's close of \$1.3067. The dollar fell against the 104.04 yen... and the greenback also sank against the British pound, the Canadian dollar and Swiss franc. The dollar's slide, together with a rise in oil prices, drove stock prices sharply lower."

These are the risks being run due to a reckless fiscal policy. This fiscal policy of massive record deficits with no end in sight and record massive trade deficits with no end in sight is putting the economic strength of this country at risk.

It is not only Korea. On March 11, last week, Japan followed Korea: "Talk in Japan shakes dollar and treasuries. The dollar fell and treasury yields rose yesterday after the Japanese Prime Minister made remarks that suggested the country's industrial bank could be shifting some of its huge reserves out of dollars and treasury securities."

What happened? The dollar took another hit. So now we have Korea saying they are going to diversify out of dollars. We have Japan, the biggest lender to our country, warning of the same thing. What would happen if they didn't show up at a bond auction? We hold an auction of United States securities to float the boat to cover these deficits, because when you are spending more money than you are taking in, you have to borrow the money. In the past, we borrowed almost all of it from ourselves. Not anymore. Increasingly, we are borrowing from all over the world. And they are warning us: You are going too far; we might not continue buying this debt.

What happens if they don't show up? We all know what happens. We would have to dramatically increase interest rates to entice them back. That would have severe consequences for our economy.

It is not only Koreans and Japanese. Here is one of the most successful investors in the history of the United States, Warren Buffett. What is he saying? He says in 2005, he is still betting against the dollar. Warren Buffett, one of the most successful investors in America, is betting against the dollar. "When the stock market was soaring in the late 1990s, Warren E. Buffett now says, he should have sold stocks rather than just complain that they were overvalued. Now Mr. Buffett, the billionaire investor, says he is acting on his view that the dollar is still headed down, even though it makes him nervous that so many agree with him."

So he has bet a huge amount of money that the dollar is going to continue to decline in value. We have the South Koreans warning us. We owe them almost \$70 billion. We have the Japanese warning us. We owe them over \$700 billion. And we have Warren Buffett.

I can tell you, I was with a man who is one of the foremost financial advisers in the country, and he told me last year he was at the annual meeting of one of the wealthiest families in America and the discussion at their annual meeting was exactly what we are talking about here: the enormous risks being run by the United States with these massive budget deficits, massive trade deficits, leading to unprecedented borrowing, not only from our own people, but from countries around the world.

They saw that as a serious vulnerability -- this, one of the wealthiest families in America. And the debate was whether they should diversify out of dollar-denominated investments. They concluded, apparently, that they would do that.

Now, all we have to do is look at what has happened to the dollar against the Euro since 2002 to see why they might be concerned. Look what has happened to the value of the dollar. It has declined 33 percent against the Euro in just that period of time. That is dramatic. Every dollar we have has lost 33 percent of its value against the European currency.

So if you are a central banker in Japan, you are a central banker in Korea, and you have loaned all this money to the United States, and you see that those dollar holdings you have in your central banks have declined in value by almost a third against the European currency, might you conclude that it is time to invest some of your money somewhere else?

Friends, this is the risk that is being run by this policy of debt and deficits. These deficits are out of control. They are undermining confidence in the American currency. They are undermining confidence in the long-term economic strength of the country.

And this budget does not do anything about it. In fact, this budget makes it all worse. This budget means bigger deficits, not smaller. The Congressional Budget Office put out a baseline budget, if we made no policy changes, of what would happen. But this budget does make policy changes, and you would think that given these facts, the policies would be to reduce the deficits. That is not what this budget does. This budget increases the deficits each and every year compared to a policy of putting everything on automatic pilot. Now, that is a fact.

What are the potential consequences here? If the dollar were to decline even more precipitously than it has already, there are very few options left. You have to, first of all, dramatically increase interest rates. What difference would that make? Well, let's look for a typical American family.

A 1-percent increase in interest rates will raise the payment on a 30-year home mortgage of \$150,000 by \$1,200 a year. On a \$300,000 mortgage, it would raise it \$2,400 a year. On a \$450,000 mortgage, it would raise the payment \$3,600 a year. And it would not be only on a house mortgage. It would be on a car payment, student loan payment, all the corporate debt that is out there, and all the Government debt. If interest rates rose dramatically in order to offset the

effect of foreign central banks being unwilling to loan us more money, the economic consequences here could be severe.

When I look at the tax policy that underlies this budget, it also raises the serious question of fairness. Because under the President's plan, the top 1 percent in our country, those who earn over \$402,000 a year, get 30 percent of the benefit. The top 1 percent get 30 percent of the benefit. The top 20 percent get over two-thirds of the benefit. They get almost 69 percent of the benefit.

We hear a lot from our friends: Well, the higher income people pay more in taxes. That is true. They pay more in income taxes. But our friends on the other side always want to leave out the payroll taxes that everybody else pays. And when you put the two together, you find that the wealthiest among us do pay more, but they do not compare anywhere close to the proportion of the tax cuts they are getting.

When we look at 2004 and how the tax benefits stacked up in that year, what we see is, from the combined effect of the 2001 and 2003 tax cuts, a middle-income household got \$1,000 and the top 1 percent, those earning over \$400,000, got \$78,000. If we were going to have a bar on the chart to compare what those earning over \$400,000 got in tax benefit as compared to what a middle-income household got, the bar would have to go 17 feet higher. It would go almost to the ceiling of this Chamber to compare what the top 1 percent got in comparison to the middle-income people in the country. Is that fair? That is what the President's tax policy says is fair. Give those who are the top 1 percent \$78,000 in tax benefit; give the middle income \$1,000.

In this budget is a continuation of the dividend and capital gains tax cut. Those cuts will provide a millionaire, on average, with a tax cut of \$35,000. Somebody earning \$50,000 to \$200,000 gets \$112. Let me go through this again. This is the Urban-Brookings Tax Policy Center that has done this calculation. The dividends and capital gains tax cut that my colleague was praising gives those who earn less than \$50,000 a year, on average, a \$6 tax reduction. That is the vast majority of people in this country. For these tax types -- dividends and capital gains -- the average savings for an American earning less than \$50,000 is \$6.

For somebody earning \$50,000 to \$200,000, they get a tax savings of \$112. And the dividends and capital gains tax cuts are a major part of this budget.

For those earning \$200,000 to \$1 million, they get an average tax cut of \$1,480. But for those who earn more than \$1 million, they get, on average, a tax cut of \$35,000.

Now, this is some people's sense of fairness; it is not mine: \$6 to those who earn less than \$50,000 a year, and \$35,000 to those who earn more than \$1 million. We have the biggest deficits in the history of the country, and no end in sight, and this is what we are going to do? That is what we are going to do if we pass this budget.

Our friends on the other side say: Well, those who are at the top pay more in taxes. That is true. Those who are at the top pay more in taxes. That is absolutely true. But do you know

what, they are getting 30 percent of the benefit of this tax cut, and they pay 16 percent of the tax burden. So they pay more, but they are getting much bigger benefit than what they pay.

My friends, at some point we are going to have to deal with reality. The reality is, we are not paying our bills in this country. We are not coming anywhere close to paying our bills. And our friends on the other side come with a budget that says we have no intention of paying our bills any time in the foreseeable future. We are not going to come anywhere close to paying our bills.

Then you get to the question of priorities, which is a very important question as we go forward. Let me say to my colleagues, for those earning over \$1 million in 2006, the total cost of the President's tax cut proposals for that 1 year alone is \$32 billion. Let me repeat that. For those earning over \$1 million a year in 2006, the tax cuts to them cost \$32 billion in that year alone.

On the other hand, the cost to maintain veterans funding at the 2005 level would be about \$300 million. So in this budget, they are saying it is 100 times as important to give the Bush tax cuts to those earning over \$1 million a year as it is to maintain funding for our veterans. Is it 100 times as important? Is it 100 times as important?

Well, it is not only veterans. That same question can be asked of the COPS Program that has put 100,000 police on the street to make our cities and towns safer. Again, the cost of the tax cut for those earning over \$1 million a year in 2006 is \$32 billion for that year alone. The money to restore the COPS Program would be \$500 million. So what you have to ask yourself is, is it 60 times as important or could the very wealthiest among us, those earning over \$1 million a year, give up one-sixtieth of their tax cut for that year to keep 100,000 police on the street? I think that is a question we should ask. I know what my answer would be.

Education. It would cost \$4.8 billion to restore the education programs cut in the President's budget. Again, for that same year, the tax cuts for those earning over \$1 million cost \$32 billion. Would the wealthiest among us be willing to give up one-sixth of their tax cut to restore the cuts to education?

The same applies to community development funding. I have heard from virtually every mayor in my State. It costs \$1.7 billion to restore the cuts there. At the same time, we are going to give a \$32 billion tax cut to those earning over \$1 million a year in that 1 year alone.

Low-income heating assistance. It costs \$220 million to restore the money, a little tiny sliver on the chart -- \$220 million. At the same time, we are going to spend \$32 billion on tax cuts for those earning over \$1 million a year.

For agriculture, this chart looks at it in a little different way. The President is cutting \$7.5 billion there. The cost, over the same period of time, for those earning over \$1 million a year is \$185 billion. That is 25 times as much.

My friends on the other side say that somehow this budget is going to reduce the deficit. No, this budget does not reduce the deficit. If we compare it to the Congressional Budget Office's baseline -- there are no policy changes; we continue what we are doing now -- this budget increases the deficit each and every year.

The biggest increase is in the next year -- \$63 billion of additional deficit if we pass this budget compared to continuing what we are doing now. If we make no policy changes, just continue what we are doing now, we would have \$63 billion less in deficit than if we pass this budget.

I want anybody who votes for this budget to go out and explain to the American people why, at a time of record budget deficits, they are passing a budget that increases the deficit. I want to hear that explanation.

Again, when we go back and look at the things that have been left out of this budget compared to, if we go back and include the additional war cost that is left out of this budget, the alternative minimum tax expense that is excluded, if we take the money that is being diverted from Social Security and used to pay for other things, here are the operating deficits we see under the budget that is before us. It is a little better than the President's, but not much: \$587 billion, \$583 billion, \$582 billion, \$582 billion.

What is all this talk about cutting deficits in half? The only way they get there is they leave out things. They leave out the money they are taking from Social Security. They leave out the money for the war. They leave out the money for the alternative minimum tax. Just leave out things. If you put them back, massive deficits.

This is what is going to get added to the debt, not the numbers they are talking about. This is what is going to be added to the debt.

And if you doubt this is the case, let's look in their budget. Let's look at their own document. This is their own budget resolution. Let's look year by year. I have said that they are going to be adding almost \$600 billion a year to the debt. I understated it. I apologize. They are going to be adding much more to the debt than that. I was just doing an operating budget.

If we look at what their own document says, they are going to add to the debt every year. For 2005, \$669 billion is going to get added to the debt, according to their own calculations. Next year they are going to add \$636 billion to the debt. The next year is \$624 billion. The next year is 622. By the fifth year, 611. Where is the cutting of the deficit? Where is it? It is magical. There is no cutting. This is what they say about their own budget.

This is what they say they are going to add to the debt. This isn't my number. This isn't my presentation. This is theirs. This is from their own budget document. And what does it say? They are going to add to the debt \$600 billion every year of this budget.

The President says it is important to do something about the deficit. They say it is important to do something about the deficit. They are not doing anything about the deficit. That is their own calculation about what is going to happen.

Remember what the President told us about 2008. He told us in January of 2001 that there would be virtually no debt left by 2008. That is what he told us. This is what we now believe the debt will be in 2008. Instead of virtually no debt, we are going to have almost \$6 trillion of debt. This is what he said was going to happen. This is what is really happening.

The President of the United States has been wrong by a country mile on every one of his major assertions about the fiscal condition of our country. It has real consequences.

When we look at the budget that our Senate Republican colleagues have put up, let me just say it is a little bit better than the President's in some ways. But it still has additions to the deficit, bigger deficits, more debt by their own calculations. It still has flawed priorities.

Here is veterans funding. It costs \$300 million to maintain veterans funding. They are going to give \$32 billion in tax cuts to those earning over \$1 million a year. On the COPS Program, it costs \$500 million to restore the cuts in the COPS Program and put 100,000 police on the street. But they would rather give -- in fact, by a sixtyfold margin -- tax cuts to the wealthiest among us. That is more important to them. It is more important to them to give those tax cuts to those earning over \$1 million a year than it is to restore the cuts to education, six times as important. Are those really the priorities of this country? Is that what this country thinks is important?

I will have more to say about this budget as we go forward. But this is a budget that is not facing up to the real challenges facing our Nation. This is a budget that basically ducks and runs. This is a budget that basically says: We don't have to worry about that. We will talk as though we are worried. We will use the words. But the actual budget is not going to do anything about these mounting deficits and debt that fundamentally threaten the economic security of the country.

Mr. President, we should be doing much better than this. At some point, I hope it is not a crisis that gets us that. I still believe we have the ability and the will to act to face up to the crisis rather than letting it overcome us. But this budget doesn't face up to it. This budget doesn't do that. This budget just lets the good times roll -- more tax cuts, more spending, even though we cannot pay our bills now. I believe deeply that is a fundamental threat to the economic security of our country because we are not just borrowing this money from ourselves anymore, we are borrowing from countries all over the world. That makes us vulnerable to their decisions about whether they are going to continue to loan us money.

I believe it is past time for the President to reverse course and to call on Congress and to put his administration to the task of an overall plan to face up to the shortfalls in Medicare, in Medicaid -- by the way, the shortfall in Medicare is eight times the shortfall in Social Security. The President has no plan to deal with that, none. He would rather focus on Social Security, which is a challenge, a long-term funding problem. I will repeat, the funding problem with

Medicare is eight times as big as in Social Security. My own view is that we ought to be working on it all. We ought to have everything on the table -- Medicare, Medicaid. I salute my colleague from New Hampshire who put a focus on Medicaid, where spending is going through the roof in States and for the Federal Government, but we ought to be putting the focus on all of these areas, including the budget deficits, because I believe only in that way will we come up with a plan that really strengthens the country.

I yield the floor.