Transcript of Senate Floor Statement by Senator Kent Conrad (D-ND)
on the President's Iraq Reconstruction Budget Request,
the Growing U.S. Budget Deficit and the Worsening Budget Outlook
September 26, 2003

I thank my colleague for giving an excellent presentation and an excellent suggestion. This country (Iraq) has the second largest oil reserves in the world, and we are getting ready to have the American people rebuild that nation.

There is something really wrong with the administration's thinking on this matter, to come before us and ask for $21 billion, to say there is another $40 billion to $50 billion of need in the next year and that they are going to get it from somewhere else, when the somewhere else has promised $1.5 billion. So there is a shortage of another $40 billion. Where is that going to come from, and what is it being used for?

My colleague from North Dakota pointed out what was in the *Washington Post* this morning, a detailed analysis of some of these expenditures. One that I found most unusual was $1 million per family in Iraq for a witness protection program for 100 families. That is $100 million -- $1 million a family. That is a pretty good deal. It is going to be used to build prisons in Iraq for $50,000 a bed. Somebody is not thinking straight.

They are going to create a ZIP Code, millions of dollars to create a ZIP Code; area codes for phone systems, millions of dollars paid for by American taxpayers. I do not think so. This in a country that has the second largest oil reserves in the world. As my colleague has pointed out, the reason we cannot use their oil money to rebuild their country is that they owe tens of billions of dollars to Saudi Arabia and Kuwait?

Somebody has to have some common sense. We have to slow this thing down and think about what we are doing. I think the administration is kind of discombobulated. They are running around throwing out numbers they have not even thought through. That just cannot be what the response of the Congress is.

In light of this request for $87 billion -- and that is the tip of the iceberg, unfortunately. The fact is, it is very clear they are not going to get the $40 billion or $50 billion from anybody else and they will be right back asking for tens of billions of dollars more. That cannot be the response.

Now, why not? First, it is not right. It is not fair. The American taxpayer should not be saddled with debts that are not ours. We already have our own debts. We have a runaway freight train of debt in this country.

In light of the President's request for another $87 billion, I think it is time for us to go back to his State of the Union Address on January 28, 2003, when he said to 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."

That is what he said to us. But look at what has really happened. We are doing precisely what he said we will not do. The debt of the United States, which will be passed on to future generations, which will be passed on to future Congresses and to future Presidents, is absolutely mushrooming out of control.

The President told us just two years ago that in 2008 the debt would be virtually paid off. He said there would only be $36 billion left. Now, we know if we enact the President's policies, instead of virtually paying off the publicly held debt by 2008, which is the smaller part of the debt, it will be $6.2 trillion. How much is that? That is 6,200 billion dollars. That is how much the debt is going to be by 2008, the point at which the President had told us we were going to have virtually paid off the debt. So the President was wrong, and wrong by a mile, on that assertion.

The President told us, "Tax relief is central to my plan to encourage economic growth, and we can proceed with tax relief without fear of budget deficits, even if the economy softens."

He told that to us two years ago. But let's look at what we now know. What we now know is that instead of the assertion by the President that there were not going to be budget deficits, we have record budget deficits, the biggest in the history of the country, and by a country mile. The President's last proposal was reviewed by the Office of Management and Budget, and they tell us now that the deficit will be $535 billion next year.

The previous record deficit was in 1992, when the first President Bush was in office, and the deficit was $290 billion. Now for next year, it is $535 billion. That is a record deficit. The President told us just two years ago it would not occur.

Then the President told us the next year, "...[O]ur budget will run a deficit that will be small and short-term...."

He told us the budget deficit would be small and short term. That was just a year ago.

This is according to the President's own budget documents. This is what happens if his spending and his tax proposals are adopted. What we see is an ocean of red ink, and one that grows year after year. These are not small deficits, they are not short-term deficits, they are the biggest deficits we have ever had. And the next 10 years is the budget sweet spot. They are the good times, according to the President's own analysis of his proposals. His own budget shows us that his plan is taking this country right over the fiscal cliff. This is what he says will happen to budget deficits. Not only are they not small, they are record. And they are not short-term, they are endless.

This is the President's analysis out to the year 2050, and there is no break in deficits anywhere here. It is deficits each and every year. We are in this part of the chart now, which shows the smallest deficits, and we know they are record deficits, the biggest deficits we have

ever had in the history of the country.

Next year alone, there is a deficit of $535 billion. The truth is, it is much worse than that because they are going to take $160 billion of Social Security money on top of that $535 billion of deficit. They are going to take every penny of Social Security surplus and throw that into the pot. So, on an operating basis, the deficit next year is really going to be $700 billion.

The debt of the United States at the time Jimmy Carter was President, after 200 years of history in this country, was about $750 billion, and we are going to add that much or virtually that much in one year under this President's plan. That is not the most serious part. That is not the part that really worries this Senator. What really worries me is, that is the tip of the iceberg, according to the President's own analysis of his plans.

He says, if you adopt his budget plan, his spending, his tax plan, that the deficits grow geometrically when the baby boomers start to retire. At the very time the baby boomers retire, the cost of the tax cuts explode, pushing us deep into deficit and debt, to levels never seen in the history of the United States. That is the plan the President is pursuing. It is a reckless plan and it is a dangerous plan.

The President presented his budget for fiscal year 2004, and it said, “Compared to the overall federal budget and the $10.5 trillion national economy, our budget gap is small by historical standards.”

First of all, there weren't going to be any deficits. That proved to be wrong. Then the deficits were going to be small and short-term. That proved to be wrong. Now the President is saying, as a share of the whole national economy they are relatively small.

The problem with that statement is it is wrong, too. It is wrong, too. The next chart shows how big these deficits are as a share of our national income. This chart goes all the way back to the end of World War II -- just after the end of World War II. You can see the previous record deficit as a percentage of GDP was back in 1983 -- 6 percent of gross domestic product.

Next year, the deficit as percentage of gross domestic product is going to be 6.2 percent, if one excludes the Social Security trust funds from the calculation. So if you are looking at the budget on an operating basis, if you are looking at it as any private sector firm would have to look at its budget, what you see is the biggest deficit, as a percentage of gross domestic product, since World War II. And the President says it is relatively small. It is not relatively small, it is huge. It is the biggest it has been since World War II.

Of course, what the President has left out is that the Social Security surpluses back in 1983 were virtually nonexistent. So when the President -- the then-President -- took those monies, he wasn't taking much. But look at what has happened to the Social Security surpluses. They have been mounting dramatically, and now this President is taking every dime of Social Security surplus to pay the operating expenses of the country. No private sector firm would be able to do that. If you were in the private sector, you couldn't take the retirement funds of your

employees and throw those into the pot to pay your operating expenses. If you did, you would be on your way to a Federal institution, but it would not be the White House. It would not be the Congress of the United States. You would be on your way to the Federal penitentiary, because that is a violation of Federal law.

Yet that is what this President is doing this year and next year, taking every dime of Social Security trust fund surplus. And not just this year and next year. Under the President's budget plan, he is going to take every penny of Social Security surplus this year and next year and the year after that and the year after that and the year after that and for the next 10 years. Every penny is being taken to pay the operating expenses of the Federal Government.

This President is taking us down the road that is a fiscal disaster of the first order, and we had better start facing up to it. We are going to have an opportunity next week because the President has come before us and asked for another $87 billion -- put it on the charge card. No, this $87 billion has to be paid for. We have to start getting back on track.

The President, in his latest estimates, tells us that revenue as a percentage of gross domestic product is going to be at its lowest level since 1950. You will recall one of his major justifications for the tax cuts two years ago was that revenue was at a record percentage of gross domestic product. Now we are headed for a record low, in terms of revenue, and his answer is the same: Cut revenue more. It doesn't matter what the question is, the answer from this President, from this administration, is the same: Cut the revenue. If revenue is high, cut it. If revenue is low, cut it some more.

It is not just a question of revenue being low, it is also a question of spending being increased. This chart shows, for this year, 92 percent of the increased discretionary spending is in just three categories: Defense, which accounts for the vast majority of it; homeland security, which is the second biggest chunk; and the third biggest chunk is rebuilding New York and providing relief for the airlines, so badly affected by what has occurred. So we have not only the lowest revenue since 1950, we also have increased expenses for defense, homeland security, rebuilding New York. Of course, all of us support those increased expenditures in order to meet the obligations the country has taken on under this President.

The President is fond of saying, "It's the people's money."

This is a place where I agree with the President absolutely. It is the people's money, he is absolutely right about that. This is the people's money. But what the President has left out is that it is also the people's debt. What he is running up here is a debt that is truly massive in scope.

This looks at the gross debt of the United States. Earlier we were talking about the publicly held debt. But if you look at the gross debt, not only what we owe those who have loaned money to the United States -- which, by the way, includes a lot of money from Japan and Europe -- we also see that we owe money to ourselves. We owe money to the Social Security trust fund that the President has been taking money from in order to float this boat. That is truly stunning.

We have a gross debt of $6.8 trillion at the end of this year. But look at what is going to happen in the next 10 years. We are going to have a gross debt approaching $15 trillion. That is 15,000 billion dollars. That is real money. And all of this is happening at the worst possible time.

Why the worst possible time? Because, as this chart shows right now, the green bar, which is the Social Security trust fund, the blue bar which is the Medicare trust fund, are running surpluses in anticipation of the retirement of the baby boom generation. Unfortunately, the money is not being used to prepare us for the retirement of the baby boom generation. The money is all being taken and spent on the operating expenses and to pay for the President's tax cuts. That is where the money is going. Not to prepare for the retirement of the baby boom generation.

The red part of these bars is the cost of the President's tax cuts. What one sees is, when the trust funds go cash negative, which happens in the next decade -- in fact, it begins to happen pretty soon because in 2008 the leading edge of the baby boom generation starts to retire.

Look at what happens when those trust funds go cash negative at the very time the cost of the President's tax cuts explode, dragging us deeper and deeper into deficits and debt. This is utterly unsustainable. It is leading us to a crash landing.

You don't have to take my word for it. Here is a report from the *New York Times* of September 14 reporting on the Congressional Budget Office's warning to all of us here in Congress. Let me quote from the New York Times, “This course” – the fiscal course that the President has embarked upon – “prompted the Congressional Budget Office to issue an unusual warning in its forecast last month: If congressional Republicans and the administration get their wish and extend all of their tax cuts now scheduled to expire, and if they pass a limited prescription drug benefit for Medicare and keep spending at its current level, the deficit by 2013 will have built up to $6.2. trillion.”

That is not the gross debt. That is the publicly held debt -- $6.2 trillion. That is 6,200 billion. They go on to say, “Once the baby boomers begin retiring at the end of this decade, the office said, that course will lead either to drastically higher taxes, severe spending cuts, or ‘unsustainable levels of debt.’”

That is the course we are on. That is the course the President has put us on. It is a disastrous course by any judgment.

Again, we have heard from the Congressional Budget Office. By the way, the head of the Congressional Budget Office used to be on the President's budget team, his Council of Economic Advisors. He came from the White House.

You don't have to just listen to me or to him. Here is the Comptroller General of the United States, David Walker, in a speech on September 17 to the National Press Club. He said in

that speech, “The ultimate alternatives to definitive and timely action are not only unattractive, they are arguably infeasible. Specifically, raising taxes to levels far in excess of what the American people have ever supported before, cutting total federal spending by unthinkable amounts, or further mortgaging the future of our children and grandchildren to an extent that our economy, our competitive posture and the quality of life for Americans would be seriously threatened.”

This is the Comptroller General of the United States put in place by the bipartisan leadership of Congress warning us that the course the President has us on is a disastrous course.

We don't have to just listen to the head of the Congressional Budget Office, or have to listen to the Comptroller General of the United States. We just have to look at what has happened. We all can look and we can read reality tests. Does it make sense?

Two years ago, the President told us we could have it all. The President said we could have massive tax cuts. He told us we could save Social Security and Medicare without touching the trust funds. He said we could have maximum paydown of the debt. He said we could have a big defense buildup. He said we could do it all. He was wrong. He was wrong by a country mile. He was wrong on each and every count -- not protecting Medicare and Social Security. He is taking every dime of the Social Security trust fund surpluses for the entire rest of the decade.

He said we wouldn't have deficits. We have record deficits. He said he would virtually pay off the debt. The debt is exploding. The President is taking us down a course that does not work.

Most recently, he told us, “It is important for you all to understand, for our fellow Americans to understand, the tax relief I have proposed -- and will push for until enacted -- will create 1.4 million new jobs by the end of 2004.”

We are not at the end of 2004. So we can't make a judgment on that. But we can look back at 2001. In 2001, he made the same kind of claim. He said if you pass his plan, which we did, it was going to generate millions of new jobs.

Wrong again. He hasn't generated millions of new jobs. He has lost millions of jobs -- 3.3 million jobs lost by August 2003 since this President took office. That is the worst record on jobs since Herbert Hoover. No other President of either party has lost private-sector jobs during their entire term since the Great Depression. This President has lost 3.3 million jobs with his economic plan.

Once again, he is wrong -- just wrong. He is just wrong in assertion after assertion after assertion. He is just wrong. That is the hard reality we have to cope with.

If we look at this recovery that is underway -- and there are signs of economic recovery, which one would expect -- if you go and write $700 billion of hot checks in a year on the Federal accounts, you expect to give some lift to the economy. By spending all of this additional money, all of these tax cuts, you would expect the economy to improve, and it is improving. But we are

not seeing much pickup in jobs.

We charted the last nine recessions which have occurred since World War II -- the job recovery that occurred during the recovery from those recessions. Here is the trend line that we see: In each of those nine recessions, there has been a good pickup in jobs when the economy started to recover. Here is the pattern in this recovery. This is like a dead cat bouncing. Nothing is happening. Jobs are not being recovered. Jobs are still being lost, and the President told us he had a plan, he had a strategy that was going to bring back jobs -- millions of jobs, he said. He was wrong.

Now some are saying deficits don't really matter. It is really quite stunning to hear some of our Republican colleagues, who for years believed deficits did matter, all of sudden completely change course and say deficits don't matter.

The Chairman of the Federal Reserve Board believes deficits matter. Here is what he said before the Senate Banking Committee, "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."

Again, we didn't need to just listen to the head of the Federal Reserve Board. Here what the head of the Congressional Budget Office said in testimony before the Budget Committee earlier this month. He said, "To the extent that going forward we run large sustained deficits in the face of full employment, it will in fact crowd out capital accumulation and otherwise slow economic growth."

This is the testimony of Mr. Holtz-Eakin who was, again, put in office by the Republicans who control both Chambers, and came from the President's own economic advisors saying that deficits do matter. They do hurt economic growth in the long term.

Again, I go back to the Comptroller General and his outstanding speech to the National Press Club on September 17, "The 'bottom line' is, there is little question that deficits do matter, especially if they are large, structural and recurring in nature. In addition, our projected budget deficits are not 'manageable' without significant changes in 'status quo' programs, policies, processes and operations."

I don't know exactly when this Congress is going to awaken to the threat that is barreling down on us, but we face a circumstance just as clear as it can be: The largest deficits in our history in dollar terms, by far. Deficits as a percentage of GDP fairly measured that are the largest since World War II and no relief in sight. Instead, deficits as far as the eye can see, massive deficits that are coming at the worst possible time, right before the baby boomers retire, right when we should be paying down debt or prepaying the liability.

Instead, we are taking the money, hundreds of billions of dollars; in fact, over $2 trillion of Social Security surpluses alone over the next decade the President proposes taking to spend on other operations in government. That is $2.4 trillion of Social Security money, taking every

dime. Not just this year, not just next year, but every year for the next decade.

Two years ago the President told us we could expect nearly $6 trillion in surpluses over the next 10 years. In just two years that has turned into $4 trillion, $4,000 billion of deficits.

Where did the money go? Here is where it went: 39 percent went to the tax cuts the President proposed and pushed through Congress; 28 percent went to increased spending, largely, as I indicated earlier, defense and Homeland Security; 7 percent went to the economic downturn; 27 percent in revenue shortfalls not associated with the tax cuts. So two thirds of the disappearance of the surplus in the move to deficits is on the revenue side of the equation. That is where the money has gone.

Some are saying, we do not have to worry about this; we will grow our way out of it. Here is what the Comptroller General of the United States said, again in a speech to the National Press Club, " [T]he consensus opinion at a recent meeting of prominent economists representing a wide variety of ideological viewpoints was that... 'we cannot simply grow our way out of this problem!'"

It is time to face up to reality. It is time to face up to the fact we have gone down a course that is not working. I am not casting aspersions on anyone's intentions or motivations. That does no good. But we can now look back at the President's record objectively and clearly. We can see that statement after statement he has made to this Congress was simply wrong.

He said there would be no deficits. We have record deficits. He said they would be small and short-term. They are massive and unending. He said they are small as a percentage of our gross domestic product. They are the biggest they have been since World War II as a percentage of gross domestic product, fairly measured. The President said this would all create jobs. He said it would create millions of jobs. Millions of jobs have been lost.

Now he says he needs another $87 billion that he does not want to pay for. Where is the money going? We have heard a number of presentations this morning: 500 experts, at $200,000 each, to investigate crimes against humanity in Iraq. Let me repeat that. Here we are in the deepest deficit, in debt at the worst possible time, and the President says one of the things we should do is get us 500 experts at $200,000 each to investigate crimes against humanity. I am all for investigating crimes against humanity, but I am all against spending $200,000 each for 500 people in one year to investigate crimes against humanity in Iraq. Have we completely taken leave of our senses around here?

He wants to build prisons over there at $50,000 a bed. He wants to have a witness protection program that will provide $1 million per family. Yes, it is there. Read the *Washington Post*: A witness protection program for families of five, 100 families of five, at $200,000 each in the family, five people, $200,000 each, and that is $1 million for 100 families, for a total of $100 million. We do not have a witness protection program like that in this country.

Let's get serious around here. We are in disastrous deficit and debt and we are talking about these kind of expenditures in a country that has the second largest oil reserves in the world, and we say, “Just put it on the debt of the American people?” I don't think so. There has to be a better way.