

**Transcript of Remarks by Senator Kent Conrad (D-ND)
at Press Conference Responding to President Bush's Economic Address in St. Louis
January 22, 2003**

Good afternoon. Good to see you. We are taking a moment to respond to the President's speech on the economy in St. Louis earlier today.

Yesterday, we held a hearing on the question of the President's stimulus plan or growth plan - however it is termed - and what we learned is that this is not a growth package at all. In fact, two very distinguished economists testified yesterday that this plan will inhibit growth, because of the explosions of deficits and debt that it will create. Second, we learned that even the administration's own numbers show that there will be negative job growth in the years 2005 and beyond under the President's plan. That is not a pro-growth plan. That is a plan that will inhibit job growth and will undermine the economy.

We believe this plan will be ineffective. Ineffective because only about five percent of the cost of this plan is in the first year when the economy does need stimulus. Second, we believe it is irresponsible because it would explode the federal debt by almost a trillion dollars when the associated interest cost is figured in. And, third, that it is unfair because it overwhelmingly benefits the wealthiest Americans and would be paid for entirely by taking Social Security funds, something virtually everyone in elected office has pledged not to do.

What is most unusual about this plan - perhaps even bizarre - is that most of the cost comes when the President himself is forecasting strong economic growth. And yet the smallest share of the plan - as I've indicated only about five percent - is when the economy clearly needs a lift, clearly needs stimulus.

The President has made a number of claims again today about the effect on small business that we think need to be clearly refuted. He said in his radio address on the 18th, "After all, more than two-thirds of taxpayers who pay the highest marginal tax rates are small-business owners who include their profits when they file their individual tax returns with the IRS." This is a definition of small business that is truly far-fetched. The fact is, if you look at what the President is proposing, only two percent of the 23 million small businesses benefit from the top rate tax cut the President is proposing. Only two percent of 23 million small businesses benefit.

If you pierce the veil a little further what you find out is that the President himself and the Vice-President qualify as small businessmen under their definition of small business. They are sweeping up in their statistics all those who report any small business income. And, so the President, who reported in 2001 over \$800,000 in income, had \$84 of small business income. Under his definition, he would be a small businessman. Vice-President Cheney reported \$2.3 million of small business income out of his \$4.3 million of income, and so he's a small businessman, according to this definition the President is using. You know, I don't think this is going to stand up under much scrutiny.

I thought the most intriguing case of all was Mr. Fastow, the chief financial officer of

Enron, who qualifies as a small businessman under their definition. Mr. Fastow had \$45 million in so-called small business income in years 1999 and 2000. Is this really who we need to help to stimulate this economy? I don't think so. I think this is utterly far-fetched. And the more we study, and the more we learn, the further this plan goes from being a plan to stimulate and help this economy and be pro-growth. It is a tax give-away to the wealthiest Americans that has virtually nothing to do with stimulating the economy, and over the long-term according to the best economic testimony we have received will actually reduce economic growth, not increase it.

Stimulus? Well, you can see for yourselves the cost over the ten years when you include the associated interest cost is over \$930 billion. The effective stimulus for this year - \$36 billion. That is less than five percent of the cost of the package this year.

And finally, this is what happens to the debt of our country under the President's plan. The debt explodes. You'll recall when he passed the tax plan of 2001, he said his plan would provide for the maximum pay down of the national debt. Instead, what we're seeing is maximum expansion of the national debt, and the maximum taking of funds from the Social Security trust funds to pay for his tax cuts. That is not pro-growth. That is anti-growth. It weakens the economy. It weakens our country, and it should not be passed.

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Have we got the debt chart there? I just want to return to this one point. The President says he has a plan to grow the economy. What we find is that he has a plan to grow the debt. And the dead weight of this debt is going to inhibit economic growth, not encourage it.

Yesterday, we had a detailed hearing with three economists. Two of them testified that they believe based on their modeling of the economy, and modeling that has been done by others that they have reviewed, that the President's plan will actually inhibit economic growth. That is going in the wrong direction and that's why we need an alternative, an alternative we will present on Friday in a speech that the Leader will be giving in Cleveland, Ohio.

Question: What's the size of the package you are going to present on Friday?

Conrad:

I don't think I should upstage the Leader's proposal. But this is a proposal that will be a stimulus plan. This is a proposal that will meet all of the principles that the bipartisan group of budgeteers from the House and the Senate outlined last year to judge any stimulus plan by, that is something that is immediate, something that gives lift to the economy and something that does not in the succeeding years plunge us into deeper deficits and deeper debt.

Question: Does the plan have support of the full Democratic caucus?

Conrad:

We've not had a chance to talk to every member. I think it will enjoy broad support.

Question: Do you have concerns about the nomination of John Snow in light of disclosures about his past arrest for drunk driving, although he was not convicted, and a child support dispute in court?

Conrad:

In fairness to Mr. Snow I do not believe an arrest in which there was not a conviction of DUI over 20 years ago is material. I don't know much about the child support matter. I think we'd have to see the full details before one could make a judgement on that. That also seems to have been some time ago – 14 or 15 years ago.

Look, I think much more relevant questions to Mr. Snow is what kind of economic policy is he going to support. Is he going to have the position he's had for many years that deficits do matter, that deficits are a drag on the economy, that exploding the debt will inhibit growth? Those are the positions he's taken in the past. Is he now going to sign up to the plan that the administration is floating that plunges us into deeper and deeper deficit with growing debts that are going to inhibit economic growth. I think that's a much more fundamental question.

Question: You've been opposed to the use of reconciliation for tax cuts back in 2001. Recently, you said you would oppose it again this time. If that is the forum for putting forward the Democratic alternative in the debate on growth/stimulus, will the Democrats attempt to offer their Democratic alternative as an amendment on the floor to a reconciliation bill?

Conrad:

That decision has not been made. Let me say that I do not believe – I've never believed – that reconciliation is an appropriate process for tax cuts. What is reconciliation? It is a big word about a process that was designed for one purpose, and that is to reduce deficits, not to increase them. It stands the whole purpose of reconciliation on its head to have tax cuts that are not paid for as part of a speeded up process, a process that enjoys special protections under Senate rules that allows the other side to get with a simple majority vote what it could otherwise not achieve. So, I don't know what decision will be made. Certainly the package we'll be offering will be far more fiscally responsible than the one that is being offered. But reconciliation was never designed to increase deficits. It was designed to reduce them.

Question: Given what you just said, do you think this is an appropriate year to have reconciliation, set a new target for getting surpluses and paying off the publicly held debt?

Conrad:

Look, I believe very very strongly that we need to get back on path to balancing the

budget, to stop raiding the trust funds of Social Security and Medicare, that that is critically important. It is especially important – let me make this point I know for those of you who listen to me I make this point repeatedly, but somehow we’ve got to break through to the American people what’s at stake here – why this matters so much. The baby boomers start to retire in 2011. Right now the trust funds are producing surpluses. Social Security is producing a surplus. Medicare is producing a surplus. All of that is about to change and it is going to change in a dramatic way. In 2016, Medicare goes cash negative. In 2017, Social Security goes cash negative and when they do they go dramatically cash negative. That’s what we have to get ready for. That’s why the President’s plan which digs the hole deeper and deeper is so mistaken and so dangerous and so reckless.

Question: With regards to Snow nomination are you or other Democrats prepared to vote against his confirmation if you’re not happy with his answer on the budget questions you outlined earlier?

Conrad:

I can’t speak for others. I can speak for myself. I think this is a critical juncture for our nation and so I will reserve any decision with respect to his nomination until we’ve heard directly from him. I would say that these matters that have come to light most recently – unless we find out something more on this child support matter, something that’s not in the most recent reports – I don’t think those are material matters to determine his fitness for office.

Thank you.