

MINORITY VIEWS OF RANKING DEMOCRATIC MEMBER

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The language being used to describe this budget reconciliation process is completely disconnected from reality. This is not a deficit reduction package. This reconciliation package will increase the deficit and increase the debt.

It is a mistake to look at the reconciliation spending bill on its own. The fact is that the Majority's reconciliation has three chapters to it. Chapter one is this spending reconciliation bill, which includes \$39 billion in savings. Chapter two is the tax cut reconciliation bill, which will cut taxes by \$70 billion. When you combine the impact of chapter one and chapter two, you see that the Majority is proposing to increase the deficit by \$31 billion over the next five years. Chapter three is the result of continuing with these fiscally irresponsible policies. Chapter three is the Majority's proposal to increase the debt limit of the federal government by another \$781 billion.

Three Chapters of GOP Reconciliation

Chapter 1 Mandatory Spending Cuts - \$39 B

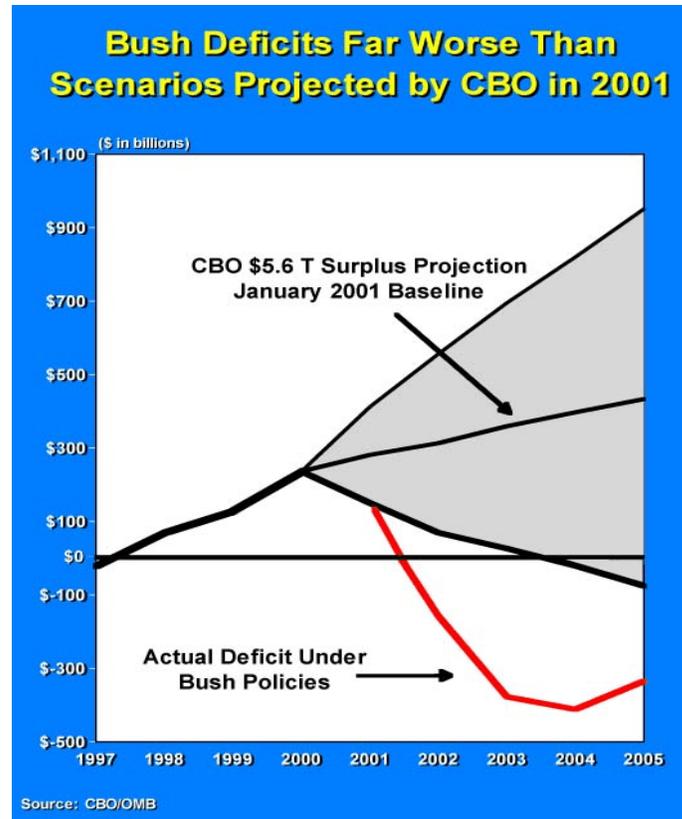
Chapter 2 Tax Cuts - \$70 B

Chapter 3 Debt Limit Increase - \$781 B

Sadly, this process represents a continuation of failed fiscal policies. To understand why that is so fiscally irresponsible, it is helpful to review what has happened to the federal budget over the last five years.

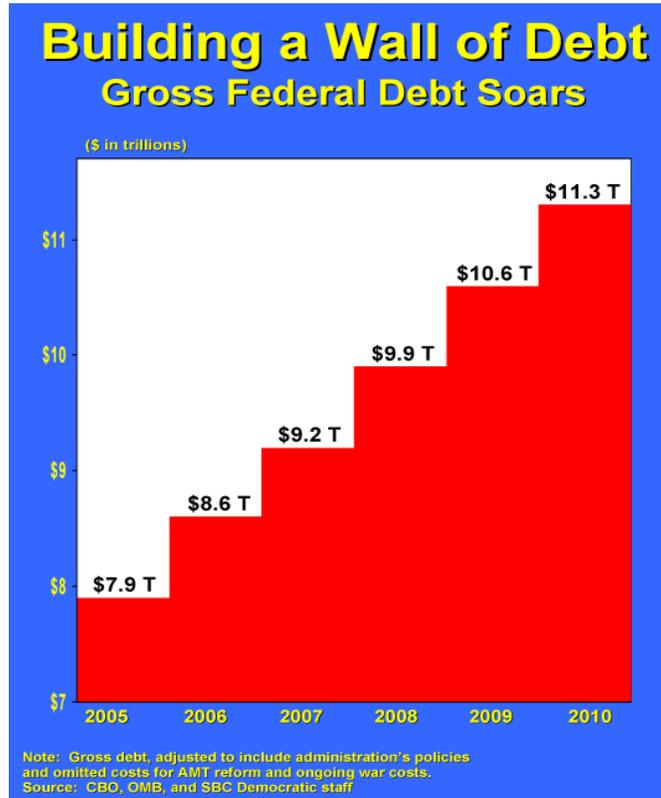
The Bush administration has the worst fiscal record of any administration in history. When President Bush came into office, he inherited a projected \$5.6 trillion ten-year surplus. At the time, he promised that: *"[W]e can proceed with tax relief without fear of budget deficits, even if the economy softens."*

But now we can look back at what actually happened as a result of his policies. The surplus has been completely wiped out and the nation has been driven deeply into deficit. Actual deficits are far worse than the worst case baseline scenario projected by the Congressional Budget Office in 2001. And we are now facing the fourth year in a row of record high deficits. Claims that we could cut taxes and get more revenue proved to be wrong. Reality has proven supply-side ideology to be deeply flawed.

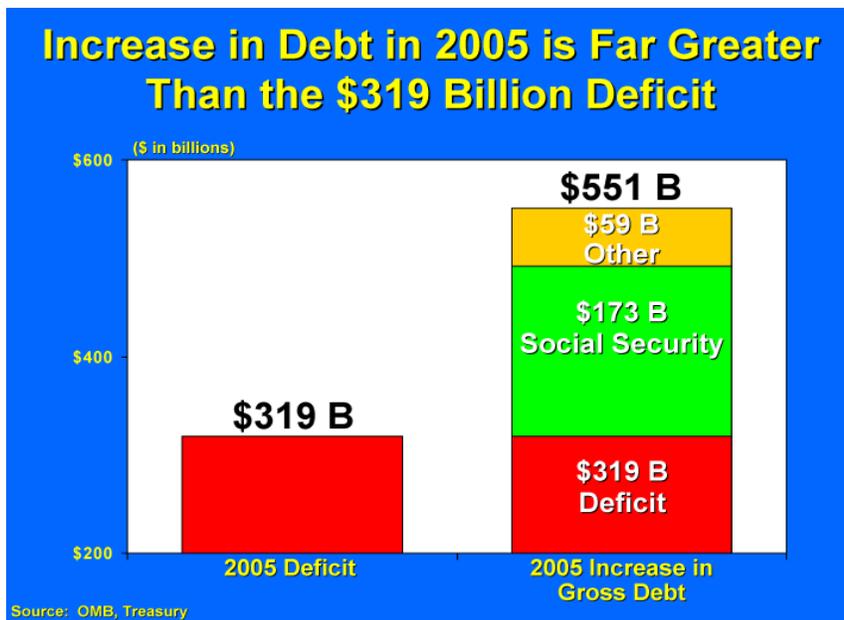


The President also promised that he would continue the previous administration's record of paying down debt. He stated: "...[M]y budget pays down a record amount of national debt. We will pay off \$2 trillion of debt over the next decade. That will be the largest debt reduction of any country, ever. 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."

President Bush's sentiment of not wanting to pass our bills on to future generations was exactly right. But his budgets have failed to live up to these promises. Instead of paying down debt, the federal debt has exploded. If we continue with the administration's policies and factor in the cost of Alternative Minimum Tax (AMT) reform and ongoing war costs, gross federal debt will climb to \$11.3 trillion by 2010. The debt is increasing at roughly \$600 billion to \$700 billion a year, each and every year for the next five years. That debt will all be passed on to our children and grandchildren.



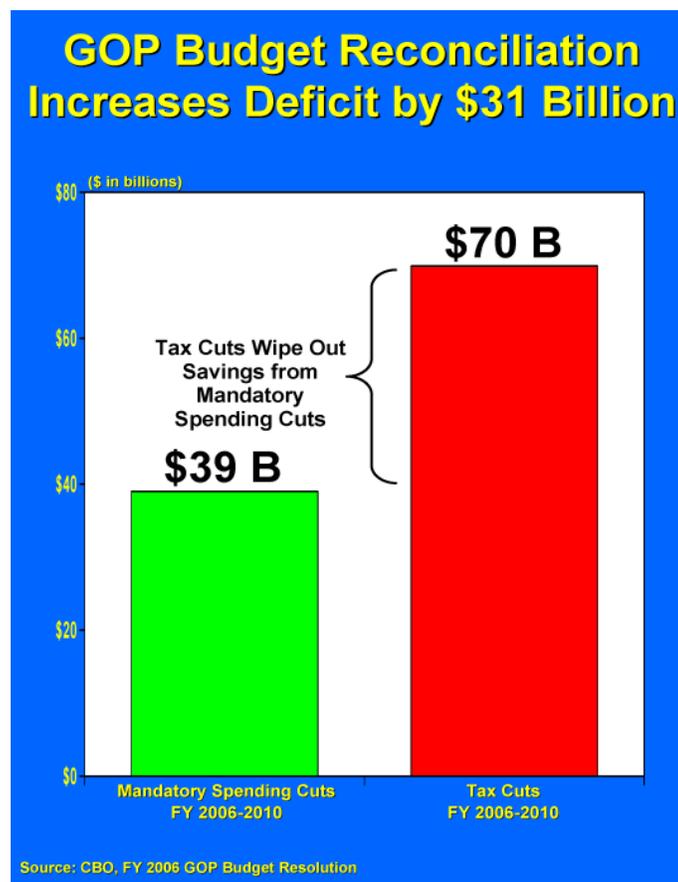
Those who claim that the deficit is coming down and that the budget is going in the right direction can only reach that conclusion by leaving things out of the calculations. For example, the increase in the debt in 2005 was far greater than the advertised \$319 billion deficit for the year. When you add in the Social Security and other trust fund surpluses also being spent, we see that the debt actually went up by \$551 billion in 2005.



Looking forward, the administration also leaves out the cost of AMT reform and ongoing war costs, and uses a truncated five-year budget – which conceals the exploding cost of tax cuts and other administration policies later in the decade.

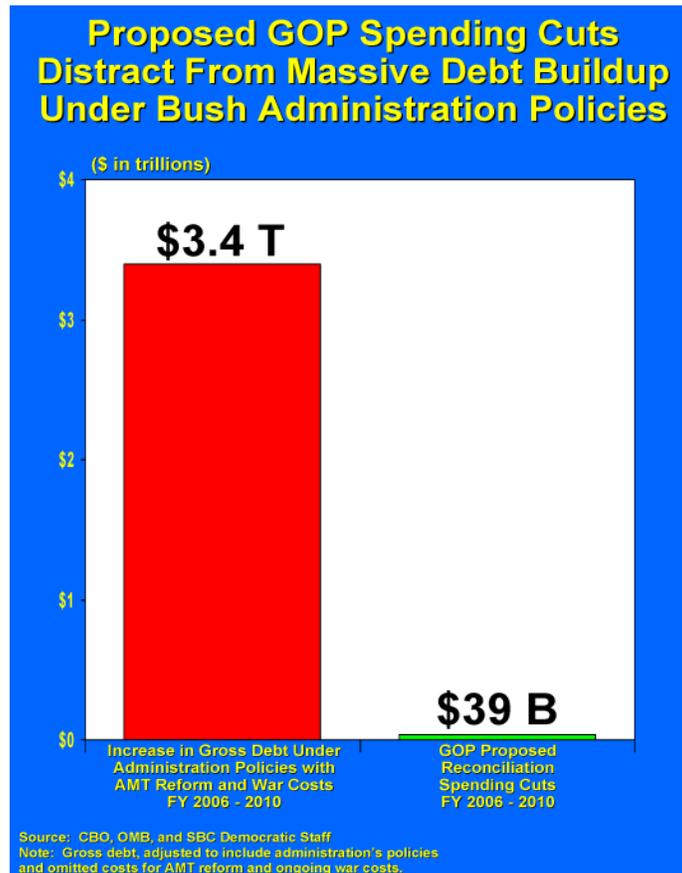
These deficits are occurring at the worst possible time – right on the brink of the retirement of the baby boom generation. We are about to be hit by a demographic tsunami. The number of people receiving Social Security and Medicare benefits is projected to rise from about 40 million people today to 81 million people by 2050.

So what has the Majority proposed in response to this budget outlook? By insisting on another \$70 billion in tax cuts, their budget reconciliation package would increase deficits by \$31 billion over the next five years. The \$39 billion in savings in this spending reconciliation bill will be more than wiped out by the tax cuts coming next. So no one should believe that this is about deficit reduction.



This spending reconciliation bill is not a serious approach to dealing with fiscal problems confronting the nation. Thirty-nine billion dollars in savings over five years sounds like a huge number. But that is less than three one-hundredths of the roughly \$14 trillion the federal government will spend over that period.

These spending cuts don't address the massive debt being built up under the administration's watch. Gross federal debt is projected to increase by \$3.4 trillion over the next five years under the President's policies, with AMT reform and war costs added in.



The reality is that these policies are driving us deeper into debt to foreign nations. Foreign holdings of U.S. debt have gone up 104 percent since 2001, rising from \$1.01 trillion in January 2001 to \$2.06 trillion in August of this year. It took the nation over 200 years to run up a trillion dollars of external debt. This administration has managed to double our external debt in less than five years. Japan, China, the United Kingdom, and the Caribbean Banking Centers are now the largest foreign holders of our debt. We are becoming increasingly reliant on foreigners to buy our debt and finance our deficit spending.

Unfortunately, instead of putting us back on a path of fiscal responsibility, the Majority's reconciliation package will simply make matters worse. This is an utterly unsustainable course. No great power can continue to operate on borrowed funds indefinitely. Eventually, these deficits and debt will undermine the economic security of the nation.

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