

**Transcript of Remarks by Senators Kent Conrad and Byron Dorgan
at Press Conference on Grassley Stimulus Proposal
October 31, 2001**

Conrad: Good morning. It is a spectacular day. I thought we'd start because we said 10:30 and I know there are other things coming up, so we'll proceed quickly.

With the latest economic news it becomes even more clear we need to have an economic stimulus package. For that to happen it has to be done in a bipartisan basis. A partisan package has absolutely no chance of succeeding.

So in looking at the various packages, we've tried to apply the bipartisan principles that were agreed to by the budgeteers in both the House and the Senate. As we have done that, we looked at the latest package, Senator Grassley's package. Earlier, I had reviewed the House package. As you know, the House stepped up to the plate and struck out. On each of the principles we agreed to on a bipartisan, bicameral basis, they failed. In applying those same tests to the Senate Republican package, we see they have whiffed as well.

Looking at the specifics. We agreed in the principles that any package should be temporary – that the proposal should sunset within one year to the extent practicable. Unfortunately, 82 percent of the Republican Senate package are permanent tax cuts.

Second, we indicated in the bipartisan principles that there should be a rapid impact, that a substantial amount of the money should get out within six months. Unfortunately, the Republican package flunks on that principle as well. Nearly 48 percent of the ten year cost of the package occurs after the first year.

On the third principle of size we said approximately \$60 billion. This package costs \$175 billion over ten years and that does not include the associated interest cost.

On targeting, we said that stimulus dollars should go to those most likely to spend them and those most vulnerable in an economic downturn. That was a principle agreed to on a bipartisan, bicameral basis. But if you look at the Republican plan, 44 percent of the tax cut goes to the wealthiest one percent. Only 18 percent go to the bottom 60 percent. That's not a stimulus package. That is a package that is designed to give income tax breaks to the wealthiest one percent on the notion of the old trickle-down theory of economics. If we give it to the wealthiest somehow it will spread out to all the rest of us. It didn't work in the 80's and we don't believe it will work now.

Finally, on the question of long-term, we agreed on a bipartisan basis that a package should not worsen the long-term economic situation and thereby put upward pressure on interest rates. But the Grassley package, which has now apparently been adopted by Senate Republicans, reduces the surplus by over \$200 billion after this fiscal year. That is precisely what we said should not be done, and we said it on a bipartisan basis – the leaders of the House and Senate Budget Committees had these principles.

Unfortunately, the Grassley plan, now adopted by Senate Republicans fails on each and every one of the tests. I just invite you to apply your own analysis of this proposal to the principles that were earlier outlined.

I'm going to call on my colleague, Senator Dorgan, who is in the Democratic leadership, for his comments as well.

Dorgan: Well thank you very much. When I look at the so-called stimulus packages that are being offered, especially now the most recent one by our colleague, Senator Grassley, I think of what my mother used to call some suppers around our house. She'd say, "We're having leftovers." We all knew what leftovers meant.

There are leftovers in tax policy as well. It seems to me that every time the Republicans, Senator Grassley and others, trot out there tax proposals, they are just leftovers. We could have written this stimulus package six months or six years ago if someone would ask us, "What do you think they will propose?" We could have written down exactly what they're proposing - just leftovers. They have nothing to do much with stimulating this country's economy. They have everything to do with completing the agenda of trying to reduce the tax rates and reduce the tax burden on upper income Americans.

As Senator Conrad indicated, this proposal fails every single test with respect to the criteria about what a stimulus package should be. A stimulus package in my judgement should stimulate both consumption and also investment. It ought to be temporary. It ought to be designed to try to provide a lift to this economy.

One thing we should all understand is we have a very serious economic problem in this country. We had a weak economy that was limping along prior to September 11. It took a huge hole right in its belly on September 11 and beyond. We have a very very serious circumstance with respect to this country's economy. It requires in my judgement a bipartisan and a serious attempt to provide lift to a stimulus package that is temporary and one whose provisions really do provide incentives, the sort of things we know that will get the economy moving again - consumption and investment.

Let me just quote if I might Will Rodgers, who said something about fiscal policy and it also plays a role in this. Will Rodgers once said, "The unemployed here ain't eating regular, but we'll get around to them as soon as we get everybody else fixed up okay."

Another part of the stimulus package in my judgement is not just the tax side, but represent real needs to deal with those who've lost their jobs. The extended unemployment benefits and COBRA and other issues. That also is stimulative. Those benefits also will be spent, almost immediately to try to lift this economy.

So we have to worry about a range of these issues. Tax incentives that are stimulative. Tax incentives that are fair, ones that will really lift this country and our economy, ones that are temporary, and ones not, as Senator Conrad has indicated, not ones that will go to just the top one percent of the American taxpayers. I think this is a very disappointing proposal. In order for

us to solve this problem, we need to do it in a bicameral and bipartisan way. What we see here are leftovers, the same tired old ideas trotted out at every turn and for every excuse to say let's do this. This isn't what a stimulus package ought to be about in my judgement. Senator Conrad is right about that. He and the Senate Budget Committee have done extraordinary work in my judgement to help create and provide the analysis of who gets the benefit of all these proposals. He's dead right in his analysis today.

Conrad: Let me just conclude, and then we'll take any questions that you might have, by saying we all know that we are headed for deficits this year. We also know that we are headed for the use of Medicare and Social Security trust funds by the tens and hundreds of billions of dollars over the next decade. Unfortunately, we were already on that course before September 11. That circumstance has been made much worse by the sneak attack on this country.

We should all understand, I think, that what is happening here is that payroll taxes are being taken to be used to give income tax cuts to people who are at the highest end of the income stratagem in this country. That's what is happening. People's payroll taxes are being taken to give income tax cuts to the wealthiest one percent. That's not a stimulus package – that's a rip-off. And I can tell you it will not pass.

We have the ability, every Senator has the ability, to use parliamentary techniques to prevent an unfairness from being imposed on the American people. I can assure you that I will use every device that is at the hands of any United States Senator to stop a package that is this unfair, that takes people's payroll tax dollars to given an income tax cut to the wealthiest people in our country. That's not stimulative – that is a rip-off, and it cannot be allowed.

We, on a bipartisan basis, agreed earlier – the leaders of the House and Senate on a bipartisan, bicameral basis, those leaders of the Budget Committees – agreed on a set of principles. Those principles must be applied to any package. The Grassley plan, the Republican plan announced yesterday, flunks each and everyone of those principles. We'd be happy to take any questions.

Question: Two weeks ago you and Spratt had a press conference grading the House Ways and Means Committee stimulus plan. Nussle wasn't there. Now you're criticizing Senator Grassley's plan on similar grounds. Where is Senator Domenici? He signed on to those same principles. Have you talked to him? Does he support the Grassley plan? Is he supporting the principles still?

Conrad: You'll have to ask him. I didn't think it was fair to ask him to come out and criticize a Republican colleague, so I didn't ask him. But, you can ask him what his reaction is. The principles are just as clear as they can be. You can make your own determination whether or not either the House plan or the Senate plan meets those principles. To me it's about as clear as it can be that they don't.

Question: Have these become Democratic principles rather than bipartisan principles since the Republicans who signed on to them initially have not shown up at the press conferences to grade these various stimulus proposals as they come out?

Conrad: No, I think clearly the statement of principles was done on a bipartisan, bicameral basis. I've received no indication from either the Congressman or the Senator that they don't adhere to those principles.

Question: Do you think it's possible for the Senate to still come up with a bipartisan plan or might we not see a package this year?

Conrad: I think it is possible that a stimulus package will fail. And I have urged the White House that the President show Presidential leadership here and get the two sides together. We did it, those of us who have responsibility for the budget, did get together on a bipartisan basis and agree to these principles. So I think it is possible and I think it is very important that we do. Just look at the new data this morning on the performance of the economy. It rivets the point that we need a stimulus package.

Question: Are there any bipartisan attempts going on right now. I think the moderates are meeting, but I don't know if they're producing anything?

Conrad: Well I was very pleased the centrists adopted in large part the principles that we had agreed to. They thought those are the appropriate principles to apply. So I think we've made some progress in those terms. But right now you've seen the House go up over the hill in a partisan way. You've seen the Senate Republicans go in their direction. Now is the time to bring people back together and see if we can't establish a stimulus package that meets the principles.

Question: If you were grading the Baucus proposal, what grades would it get?

Conrad: I'm glad you asked. It passes on each one of the principles. We agreed it should be temporary, that the stimulus proposals should sunset within one year. And the Baucus package - all tax and spending proposals are temporary. We said rapid impact, a substantial portion of the fiscal stimulus should be out within six months. More than 100 percent of his ten-year cost occurs in 2002. On the size, we said approximately \$60 billion. His bill costs about \$75 billion in this fiscal year, but only costs \$40 billion over the ten years because some of the things gain money in the out-years. On targeting, we said stimulus dollars should go to those most likely to spend them. He includes a \$14 billion rebate and \$33 billion in worker relief targeted to low- and middle-income Americans - clearly passes the test. On the question of long-term, we said the package should not worsen the long-term fiscal outlook for the country. Senator Baucus' proposal has virtually no impact beyond this fiscal year. So his proposal passes very clearly all the tests that were put out on a bipartisan, bicameral basis earlier this year.

Question: A Senate GOP aide said yesterday that you're kind of grading these unfairly because while the Baucus proposal is \$70 billion, if you add the \$20 billion that Senator Byrd and Mr. Daschle are talking about for spending, it comes up to \$90 billion which is more than their proposal - Mr. Grassley's at \$89 billion - and the House is only \$99, so you guys are quibbling about similar figures.

Conrad: No, they flunk again. We have got to take them back to math. Look, if you add the

\$20 billion of Byrd's plan, then we'd have to call this the Baucus/Byrd package. We're grading the Baucus plan here. But if you add that \$20 billion, he still has only a \$60 billion cost over ten years because his ten year cost is only \$40 billion, so he'd still pass.

Dorgan: Let me make a point on the stimulus. It is important for us to say this, I think. This Congress cannot leave town without passing a stimulus package. We and the President have a requirement to this country to do what's necessary to lift this economy. Now, we've got a lot of ideas being floated here. A lot of little card tables around where people are putting their puzzles together and floating ideas. At the end of this Congress, if we have left town and have an economy with the kind of hole that's been put in this economy, and have not passed a stimulus package, the President and the Congress will have failed the American people. So we need to find a way to come together.

It's fine to have all these ideas out there and it's very important to grade them so that people understand which of these ideas have merit. But at the end of the day, the President and Congress, Republicans and Democrats, have to come together and I hope they'll come together within this set of principles that Senator Conrad has talked about, come together and pass a stimulus package that gives this economy a chance to provide some lift to itself again and put people back to work again. We have hundreds and hundreds of thousands of people out of work and more losing their jobs daily. We have a responsibility to the American people to do something here. It would be unforgivable, in my judgement, for Congress to leave town without passing a stimulus package. But, it would also be wrong for us to pass a package that really doesn't stimulate the economy and just call it a stimulus package in label and, as Senator Conrad says, simply reduce taxes for the upper-income Americans for the next ten years. That makes no sense to me, and in my judgement would ill-serve the American people as well.

Question: How many days are we from getting something on the floor to vote?

Dorgan: Well first of all we don't know how long we're going to be here. No one knows how long we're going to be in session. But, whatever that end date is, when we reach that date, we must, in my judgement, have passed a stimulative package. And to stimulate the economy, in my opinion, is a job none of us quite fully understand. We understand what doesn't work – that's for sure. It doesn't work to try to stimulate this economy today by providing tax breaks in 2005 and 2008 for upper-income people.

One additional point, and Senator Conrad can speak to this as well. Ask yourselves why long-term interest rates aren't coming down. Long-term interest rates aren't coming down because the long-term bond investors understand this fiscal policy that we've had now in this town prior to September 11 and now doesn't add up. They know it doesn't add up and this is just more leftovers they want to add to that same proposition. So we want to get back to a real stimulus proposal that really helps this economy.

Question: Senator Conrad, last week at a Budget Committee hearing you said that you had come to the conclusion that the country needs a stimulus proposal of more than the \$60 billion that you called for in your bipartisan principles. Have you determined yet how large of a plan you think is now needed?

Conrad: No, but I think this should be a matter that's negotiated. Senator Dorgan said it very well. We have an affirmative obligation here to come up with a stimulus package. This economy is in trouble. This economy in my judgement is in serious trouble. The economic condition of the country demands that we come up with a stimulus package. And the only way it can happen is on a bipartisan basis, so I would urge all of our colleagues to go back and look at those principles that were agreed to on a bipartisan basis, House and Senate Budget leaders working together on what would make sense, what are the tests that ought to apply. Thank you.