

**Transcript of Remarks by Senator Kent Conrad (D-ND)  
During Press Conference Call on CBO's August 2005 Budget Update  
August 15, 2005**

These new numbers by CBO demonstrate that the debt continues to pile up at an alarming rate.

The first chart that we provide shows the deficit by CBO's estimate at \$331 billion, but the debt is increasing at a much larger rate, \$589 billion. And, I think increasingly that the increase in the debt is the more important measure. For years, the focus has been on the deficit. But in the past that was more meaningful. Now, the debt figure is more meaningful, because it is the surpluses in Social Security that are being raided, taken to pay for other things, that largely get lost in the deficit calculation, but are included in the debt calculation.

The second chart shows the 2000 surplus was \$236 billion. We now project a 2015 deficit of \$647 billion.

And, the third chart shows the wall of debt. That's what alarms me the most about these new numbers. Here we are in the budget sweet spot, at the time just before the baby boomers retire, we are running up these massive debts, nearly \$600 billion this year, and by our calculations, over \$600 billion each of the next five years.

The fourth chart shows that the revenue as a percent of GDP is still at historic low levels. In 2004 you see the revenue was at 16.3 percent of GDP. That's the lowest it's been since 1959. Now, we see an uptick to about 17.5 percent of GDP. That is very low in historical terms and well below the levels of spending that are being passed by Congress.

Chart five shows the revenue improvement that CBO is projecting – much less revenue improvement than OMB is projecting. CBO, over the time period [2006-2010], shows \$157 billion increase in revenue. OMB, for that same period, was projecting \$406 billion.

And the final chart that you should have is a quote from CBO saying that the fiscal outlook for the coming decade is about the same as what was described in March. So the slight uptick in revenue does not make a meaningful change for the years ahead, and I think that was seized upon by the White House when OMB put out their numbers. They projected the revenue increase to continue. CBO says no, [the revenue surge] is unlikely to continue and that in fact our revenue condition is largely unchanged from earlier estimates.

Again, I go back to what I think should cause us the greatest concern and that is the explosion of debt at the worst possible time, right before the baby boomers begin to retire. And the President's fiscal policies are clearly taking us on a reckless and dangerous course.

I'd be happy to answer questions.

*Question:* (Summary: How much of Iraq war costs should be in the budget, given OMB's policy

is to not put it in the budget in outyears?)

*Answer:*

I think OMB has repeatedly understated the cost of the war in Iraq. They have continually underestimated what it was going to be. I think what you have to do is make some realistic estimate of what this conflict is going to cost, and not just a one-year cost, but the residual cost as well. I think OMB has missed the mark repeatedly on the war in Iraq, and by a wide margin.

*Question:* (Summary: Will war cost impact how Congress will fund it?)

*Answer:*

I think you'll find Congress will continue to fund it at the levels requested by the President. The problem is that OMB continually understates what that cost is going to be. I was just talking to military leaders who tell me we're going through equipment over there at a very rapid rate, equipment that is going to have to be replaced, much of the cost is not in the budget. But of course, OMB is also continuing to put very low numbers in terms of the number of troops that will be in Iraq a year from now. That's been something they have repeatedly done is low-ball what will be required.

*Question:* (Summary: What's the Democratic plan to turning long-term situation around?)

*Answer:*

Our record when we were in control was quite clear. In 1993, we passed a plan with no Republican help that put us on a five-year path, a five-year plan that reduced the deficit each and every year by cutting spending and raising revenue. I think there has to be a recognition that you have to work both sides of the equation, both the revenue side and the spending side. In the revenue side, I have said repeatedly one of the first places we have to look is the tax gap, the difference between what is owed and what is paid. That's running over \$350 billion a year. It's been allowed to mushroom under this administration. On the spending side of the equation, I have said repeatedly that I thought we should revisit some of the things that were done in the prescription drug bill. First of all, denying Medicare the right to negotiate lower drug prices is a prescription for adding to taxpayer cost. In addition, in that bill, as you know, there is a slush fund for private plans and a series of incentives for private plans, and it turns out the private plans are costing far more than traditional Medicare. So, I think those slush funds ought to be taken out. In addition, on the spending side, I have said over and over to my colleagues that five percent of the Medicare beneficiaries use 50 percent of the budget, and we ought to focus on better coordinating their care to both save money and to reduce cost.

*Question:* (Summary: What level of deficit/debt would President have to reach in order for Democrats to say he's making progress?)

*Answer:*

I think what making progress would be at this point is you have to eliminate the deficit and stop adding to debt. That ought to be the goal. To do otherwise – in the sweet spot, what is really the budget sweet spot at a time before the baby boomers retire, to be adding massively to the debt – is an utterly reckless policy.

*Question:* (Summary: Some analysts are predicting that improved numbers could prompt Congress to spend more, do you agree?)

*Answer:*

First of all, I don't think we see an improving deficit picture, except in the very short-term. What CBO is saying is over the longer term, they don't see an improving deficit picture. And, again, looking at the deficit, at this point in our fiscal affairs, really misses the point of what's happening to the debt. And what we ought to be keeping our eye on is the debt, and the debt is increasing dramatically. Beyond this year, over the next five years, it is going to be increased by over \$600 billion a year. And, that's before the baby boomers retire. You know, we've seen almost no interest or appetite in this Republican controlled Congress to do anything about the dramatically rising deficit and debt. They don't seem to have any interest in it at all.