

**Transcript of Remarks by Senator Kent Conrad (D-ND)  
at Senate Budget Committee Hearing on President Bush's FY 2007 Defense Budget  
with Deputy Defense Secretary Gordon England, Defense Comptroller Tina Jonas,  
and Admiral Edmund Giambastiani  
March 2, 2006**

Opening Statement

First, I want to thank the Chairman for holding this hearing. Second, I want to thank him for the excellent questions that he has just posed because this has to be faced up to.

Let me just start with this first chart that tries to put in context where we are in comparison to previous conflicts in terms of defense spending. This chart is expressed in constant 2006 dollars so we are comparing apples to apples. You see going back to the Korean War, we were over \$500 billion a year in terms of expenditure expressed in 2006 dollars. The Vietnam War was well below \$500 billion a year. The Reagan defense buildup got to about \$500 billion a year. Then we went into a long trough of reduced spending because of the Cold War dividend – the end of the Cold War peace dividend that was through several administrations. And now the very dramatic ramp up because of the attack of 9/11 and the conflicts in Afghanistan and Iraq and where we are now, we can see we have actually reached a high compared to previous conflicts. We are above where we were in Korea. We are above where we were in Vietnam in constant dollars.

I think we all recall that at the time we entered into Iraq that there were people in the White House who said it was going to cost \$100 to \$200 billion. And administration officials, including the Vice President discounted that saying it wasn't accurate. The Secretary of Defense discounted it. Here is one exchange that occurred on a talk show. George Stephanopoulos asked, "What should the public know right now about what a war with Iraq would look like and what the cost would be?"

Secretary Rumsfeld: "The Office of Management and Budget estimated it would be something under \$50 billion."

Stephanopoulos: "Outside estimates say up to \$300 billion."

The Secretary of the Defense said, "Baloney."

Now, so much for baloney. We're now at \$397 billion and counting. The Secretary of Defense suggested it was going to be \$50 billion. That's what is known as being wrong by a country mile. Here are the supplementals: 2003, \$63 billion; 2004, \$65 billion; 2005, \$101 billion; 2006, \$118 billion; 2007, \$50 billion so far and counting.

In this budget the President has provided in 2006 and 2007 \$120 billion. The numbers from CBO for 2007 to 2016 say we better be counting on almost another \$300 billion. We have got to have full disclosure here. It is pretty hard to budget if we're not being given the full facts. And if we're not being given serious estimates of what the costs are going to be.

Then to put this in context, the United States is now spending \$552 billion on defense. That's more than the next 39 nations combined. I think there are serious questions about this analysis, I would be the first to say. I'm not sure how you compare us to China, for example, that maintains a bigger army than we do, and pay them virtually nothing. So just a cost comparison may not be fully revealing, but I think we do need to understand roughly where we are.

This also has to be understood and that is the skyrocketing debt of the country. If this doesn't sober up people I don't know what will. I'm about ready to wonder what is going on in this country with respect to our leadership when nobody seems to give a fig what happens to the debt of the country. The debt is absolutely skyrocketing.

The President said he was going to have maximum paydown of the debt. There is no paydown of the debt. The debt has gone up, up and away every year. The debt has gone up over \$3 trillion in five years. And if the President's plan is adopted, it is going to go up another \$3 trillion and reach \$12 trillion by 2012, and all of this at the worst possible time before the baby boomers retire. And you think there are tough budget choices happening now, we haven't seen anything yet. We haven't seen anything yet because this is an utterly unsustainable course.

We had the Comptroller General here before the Senate Budget Committee last month. Here's what he said: "Continuing on this unsustainable fiscal path will gradually erode, if not suddenly damage, our economy, our standard of living, and ultimately our national security."

I think the Comptroller General is telling the truth, and collectively we have a responsibility to face up to this. And that means every part of the budget has got to be scrutinized and has got to be disciplined. With that said, I want to say, and I want to make very clear, this Committee will support, the Congress will support, every dollar that is needed for national security. And we will stand shoulder-to-shoulder with the President providing for our men and women in uniform, and for the defense expenditures that are required to protect this nation. That is an absolute commitment from this Senator, and I believe the overwhelming sentiment.

With that said, we've got a major challenge, and Senator Gregg said it well. If we're going to budget, we have to have people being frank with us about what the real costs are. This continuing submission of supplementals – that are for unpredictable costs – when in fact we've known every year that the costs were going to be far more than what was being put in the budget.

So with that, again, I thank the Chairman. I think this is going to be a very important hearing, and I thank the witnesses. I thank you for being here. I thank you for your service to the nation, and I also ask you to help us begin to grapple with this exploding national debt because it is a matter of national security.

*Additional Comments*

*Senator Conrad:*

I must say I feel there's been some hide the ball going on here by the administration. I think the evidence is pretty clear for that. They tell us early on the war is going to cost \$50 billion. Now it has cost \$397 billion. Every year, they come up with these big supplementals. Last year, they asked for \$120 billion of supplementals for the year we are in now. So actually, they first asked for \$50 billion. Now, they come and ask for another \$70 billion. That's \$120 billion. Now, we are being told it is only going to be a \$50 billion supplemental for next year, and you'll excuse us if we are pretty skeptical about that. It seems unlikely to this Senator, and perhaps to the Chairman as well, that that \$50 billion is really what you anticipate, because just doing the math would suggest that the cost of conflict in Afghanistan and Iraq is somehow going to dramatically be reduced in 2007.

....

You know, we have to be straight with our colleagues about what things are going to cost. That's our responsibility. And it doesn't look like people are being straight with us about what the costs are going to be for 2007. That there is this continuing kind of hide the ball about what things are going to cost. I would just say to you Secretary England, do you really believe that the \$50 billion that is in the budget is all that is going to be asked for in 2007, or is it more likely the administration is going to come right back like they did this year and ask for another big chunk of change?

*Deputy Secretary England:*

Senator, my understanding is that the \$50 billion is not to be a projection of our needs for next year. My understanding, and again this was a decision by OMB and I believe the appropriators and leadership, but my understanding is that \$50 billion really followed the action by the Congress – that is the Congress put in \$50 billion in the prior year as transition funds, and that this was a follow-on to the Congressional initiative to put the \$50 billion in. So, I'm quite confident this is not an estimate of future expenditures. It's to have a vehicle in the budget so that we can continue to execute the war while we then prepare detailed supplementals. I frankly would disagree that anyone is hiding the ball...

*Senator Conrad:*

Let's be straight. You have just said that this isn't a prediction of what next year's spending is going to be. That's what a budget is. You know that full well. The purpose of a budget is to state what the cost is going to be. And this isn't a statement of what the cost is going to be. It is hiding the ball. I don't know how you can see it is not hiding the ball. Last year, they said \$50 billion, and then they come and ask for another \$70 billion right away. Then next year they say it is going to be \$50 billion. And you and I both know they are going to be coming and asking for a lot more money.

....

When you talk about Congress doing the \$50 billion last year, that was in response to the administration saying nothing. They said you don't need to add any money, that's what at least was in their budget. So, the frustration that you are witnessing here is there is a feeling here that we haven't been quite leveled with in what the costs are and what they're going to be, and there's a lot of reason for us to feel that way.