

**Transcript of Remarks by Senator Kent Conrad (D-ND)  
at Senate Budget Committee Hearing on Nomination of  
Rob Portman to be OMB Director  
May 11, 2006**

Thank you Mr. Chairman. Welcome Ambassador Portman. First of all, I want to say you had the good fortune to be introduced to the Committee by a respected member of this Committee, Senator Bunning. And we know that you are very close neighbors there with that border between Ohio and Kentucky.

First of all, I want to say, I like Ambassador Portman personally, and I have high regards for him professionally. He certainly was an outstanding member of the House of Representatives and we welcome him here before the Committee. With that said, I think you would expect that we also have serious policy differences. And a great thing about our democracy is we express those openly and honestly and we will do that here today.

With that, I would like to, Ambassador Portman, take you back to 2001 when this fiscal policy was put in place. At the time, you said, "President Bush outlined his budget last week, which showed that for the first time in decades we're going to be able to actually preserve the Social Security and Medicare trust funds. We've never done this before. It's really historic. We're also going to be able to pay down all of the available public debt, \$2 trillion of it, also be able to increase spending for important priorities like education, like national defense and yet there is almost \$2 trillion left over for tax relief for the American people."

I just go back now and test those claims against what has actually happened. And what has actually occurred is quite different. The fact is none of the Social Security trust funds have been preserved or lockboxed or used to pay down the liability. Instead, all of it has been spent and will be spent for other things – \$2.5 trillion from 2006 to 2015.

And on the assertion that all of the public debt was going to be paid down, instead of debt being paid down, what we have seen is the debt skyrocket. In fact, the debt just in the first five years of this administration has increased by \$3 trillion: \$450 trillion increase in 2002; \$984 billion in 2003; \$800 billion in 2004; and \$781 billion in 2006. So there is no debt being paid down here. None. The debt is exploding. And in large measure I believe because of the failed fiscal policies of this administration.

The result is we are building a wall of debt that is really unprecedented in American history. At the end of the President's first year in office, the gross debt of the United States stood at \$5.8 trillion. If we continue on the current course with the budget that is before Congress, the estimates are now that it will reach \$11.8 trillion in 2011. That is truly an astounding buildup of debt, about a doubling of the debt of the country on this President's watch.

Perhaps even of deeper concern is how much of this debt is being financed by foreigners. As I've pointed out before with this chart, it took 42 Presidents 224 years to run up a trillion dollars of external debt, U.S. debt held abroad. This President has more than doubled that amount in just five years. Some see that as a sign of strength, I do not. It seems to me an extraordinary

vulnerability for our country. Just as the President said we're addicted to oil, I also believe we're addicted to foreign capital.

Now our Chairman indicated that revenues have exploded because of this fiscal policy. He's just talking about the recent few months. If you go back to where revenue was in 2000, you see it was over \$2 trillion. And after all of the tax cuts that we were repeatedly promised would lead to this explosion in revenue, we see we did not get back to 2000 revenue until 2005. In fact, after 2000, revenue went down in 2001, we had big tax cuts that were suppose to lead to an explosion in revenue. But in 2002, revenue went down. In 2003, revenue went down some more. In 2004, revenue stayed down. Only when we got to 2005 have we seen revenue get back to where it was in 2000.

As a share of GDP, the numbers are even more stark. As a share of GDP, this chart shows we went from a record in 2000 of 20.9 percent to 2004 revenue at 16.3 percent, the lowest it had been since 1959.

Finally, even now, we see that the revenue for this year is not coming anywhere close to what the projection was in 2001. In 2001, they said that revenue now would be \$2.7 trillion. Instead, we see revenue in the range of \$2.3 trillion, far below what the estimates were in 2001.

The result of all of this is a massive runup in debt, increasingly financed by foreigners. Many of us are deeply concerned about what that means for the future of the country because all of this is happening before the baby boomers retire. And when the baby boomers retire as the Chairman has correctly described, then we face a real tsunami of debt. And it is incumbent on all of us to work to change direction to get this country back on a more firm fiscal footing.

With that, I again welcome the ambassador and look forward to your statement.

.....

You know, sometimes I feel like I am in a surreal setting. When I hear you describe what is occurring as a great success, all I can tell you is I would hate to see a failure. If this is a success, I would hate to see what you would describe as a failure.

Here is what is happening to the debt of the country. The Chairman just wanted to talk about publicly-held debt. But we all know that leaves out something pretty big. That leaves out all of the money that this government, under this administration, is borrowing from Social Security, over a trillion dollars so far, another \$2 trillion to come. All of it has to be paid back. None of it is in the debt numbers he's talking about. It's all in this chart that shows the total debt because this is what has got to be paid back. This is not my view of a success.

Let me go to the next one. Even more stunning in terms of the fiscal failure of this administration is this chart. It took 42 Presidents 224 years to run up a trillion dollars of debt held by foreigners, U.S. debt held by foreigners. This President has more than doubled that amount in five years. This is not a success. This is a failure. It is a stunning failure.

I would say to you, Mr. Portman, you said at the time this fiscal policy was adopted that it was going to lead to maximum pay down of debt. There's no pay down of debt going on here, as you well know, the debt is exploding.

Let's go to the questions on performance of the economy. I think there was a reference that the economic performance has been extraordinary. Yes, it's been extraordinary. It's been extraordinarily bad. If you compare this recovery to the nine previous recoveries since World War II, what you see is this is the weakest of all and by a big margin, not even close. We've seen real median household income decline for four years in a row. That's a pretty good indicator of whether this strategy is successful.

Let's go to the question of business investment. The dotted red line shows the average of the nine recoveries since World War II. That's the dotted red line. The black line is this recovery. We're running 45 percent behind the typical recovery. Something is wrong here. Something is not working.

There was a mention of job creation. Well, you compare this recovery to the nine previous recoveries since World War II, look at the difference. The dotted red line is the average of the nine recoveries since World War II. The black line is this recovery. We're six and-a-half million private sector jobs behind the typical recovery. Something is wrong. We've got an economy that in comparison to other recoveries is underperforming.