

**Transcript of Remarks by Senator Kent Conrad (D-ND)
at Press Conference on Failure of Republican Leadership
September 27, 2006**

Congressman Spratt and I wanted a chance to talk to you about what we see as the unfinished agenda of this congressional session and this Republican-led Congress's unwillingness or inability to complete extremely important business.

We face red ink as far as the eye can see, with the nation's debt continuing to grow out of control. With that said, we have no budget – that is really quite stunning if you think about it – there's no budget that's been agreed to. Ten of 12 appropriations bills have not been dealt with in the United States Senate, and we're told this is the last week before we adjourn for the elections.

It's not the Democrats who are holding things up. I think all of you know that the Republicans control the White House; they control the House of Representatives; they control the United States Senate. They are fully and totally in control of the fiscal policy of this country, of the budget of the United States, of the consideration of appropriations bills.

The circumstance that we confront, we believe, is extraordinarily serious – serious because our Republican colleagues are not telling the American people how serious the fiscal condition really is. As I have shown you many times in the past, the deficit that they now estimate at \$260 billion for this year is much smaller than the increase in the debt that is forecast for the year of almost \$560 billion, a dramatic difference, and ultimately it is the debt that will have to be repaid.

We are also facing stunning increases in the debt over an extended period of time. You can see this is the debt at the end of the President's first year – of course, he inherited a budget so he's not responsible for that first year. The debt after that first year was \$5.8 trillion. Now, it's \$8.5 trillion, and if the President's plan is followed, it will be \$11.6 trillion by 2011. This is I think an ever greater concern given the fact that this is before the baby boomers retire. We are stacking up massive debt before the baby boomers retire.

One of the implications of this policy is that increasingly, this debt is being financed abroad. As I have said before, it took 42 presidents 224 years to run up a trillion dollars of U.S. debt held by foreigners. This President has more than doubled that amount in just five years. This is an utterly unsustainable course.

In 2003, Senator Frist, in a Senate floor statement talked about the 2004 budget resolution and he talked about the importance of passing a budget. He said at the time, "We believe that a budget is important, that it prioritizes the needs of defense, of health care, of education. Thus, under this leadership, we are going to proceed with the budget. We are going to pass that budget resolution. We are not going to delay."

Well we fast forward to this year and the country has no budget. We have no budget, the

debt is skyrocketing, and there's been a failure among the Republicans themselves because they control both chambers to arrive at a budget. Not only has there been a failure to agree to a budget, there has been a failure to deal with the appropriations bills. You can see, in the Senate only two of the 12 have been passed, defense and homeland security, and we don't have at this moment a single appropriations bill agreed to between the House and the Senate, not one. And the leadership tells us they are going to leave town.

It is really stunning, and I hope the American people have a chance to consider these questions before we vote in November. What is definitely needed here is a change in leadership. Republicans have had a chance. They have had full control. During their watch, the deficit and debt have skyrocketed and there has been a failure to provide the leadership that is essential for the country.

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I just want to put up a final reminder of what the Senate won't do before adjourning. It's not doing a budget. It's not doing 10 of 12 appropriations bills. It's not even doing the routine tax extenders - that means Republicans leave town without doing it. They're setting up every family with kids in college for a tax increase, every company that does research, every teacher that pays for supplies out of his own or her own pocket.

They're not doing anything on agriculture disaster aid. They're not doing anything on immigration reform, or lobbying reform, or intelligence reauthorization, or a minimum wage increase, or energy policy, or stem cell research, or telecommunications policy or budget process reform.

That is a litany of failure. It is a litany of failure to lead. At a time when our country cries out for leadership on what are really critical challenges facing us.

Question: My question has to do with whether this constitutes a calculated risk that the public really doesn't care about budgeting or deficits?

Conrad Answer:

I have had a number of Republicans quote to me what the Vice President said. He said, "Deficits don't matter." He said, "Reagan proved deficits don't matter." Well, I don't think Reagan proved any such thing. I think it was clear that in the 80's you had time to get well. Now, there is no time to get well. But we also know there was a response during the Reagan administration. They began to see that deficits were running out of control and they took certain actions, not enough, but they began to take action.

This notion that deficits don't matter I think goes against the grain. Certainly, those of us – probably the same is true in Congressman Spratt – I tell you in North Dakota people know deficits matter. The debt is growing faster than our income, increasingly we're financing this debt abroad.

I asked my staff how much money are we borrowing compared to other nations. We went out and went to the International Monetary Fund and came back with the answer. Last year, we borrowed 65 percent of all the money that was borrowed by countries in the world. The next biggest borrower was Spain at 6.8 percent of what was borrowed. We are on a course here that is a disaster. You can't be on a course where you are borrowing 65 percent of all the money that was borrowed in the world by countries.

You can't be in a circumstance in which you double in five years the foreign holdings of our debt. These are unsustainable. I don't know what their calculation is, but it is not the right calculation for the country.

Question: If either of you becomes Chairman of the Budget Committees, what will your priorities be? How would you start out next year in terms of trying to bring the Republicans to the table and getting movement on this stuff?

Conrad Answer:

I have said publicly and I've said privately to this administration the truth is these challenges are now so great neither party can solve them on their own. This has to be done on a bipartisan way. I have said the first places I would look -- first on the spending side of the equation -- we have to look at the fastest growing part of the deficit. The fastest growing part is, of course, interest on the debt and the health care accounts. The health care accounts -- what I've challenged my colleagues on the Budget Committee to face up to is that five percent of Medicare recipients are using half of the money. We know that we are not doing a good job of coordinating their care. The result is duplicate tests, duplicate taking of prescription drugs. The result: over-hospitalization, much higher cost, and poorer health care outcomes. So on the spending side it seems to me that's got to be a key focus.

Second key focus on the revenue side of the equation is to me is the tax gap -- the difference between what is owed and what is being paid. The tax gap is now estimated to be \$350 billion a year -- the difference between what is owed and what is being paid. And before we talk about any tax increase for anybody, we ought to be aggressively going after the tax gap. The Director of the Revenue Service has given us a blueprint on how to successfully go after much of that gap.

Question: (Question regarding failure of Congress to take up appropriations bills, the impact of that and whether isn't this always the case of Congress not finishing appropriations bills.)

Conrad Answer:

Let me say it has not always happened. If you go back and look historically, the record of Congress on dealing with appropriations bills is getting worse and worse. There have been times when all the appropriations bills got done in time, and that's when we had 13 appropriations bills, not 12. I think there's just an unwillingness to face up to tough choices. They couldn't agree on a budget, and they can't agree on spending because they don't want to make people unhappy. The hard reality is if we are just brutally honest about it, there is no way we can face up to what is coming at our country without tough choices being made on the revenue side of the

equation and the spending side of the equation.

Question: One of the things Republicans are talking about is maybe having one more push on the line item veto in a lame duck session, that there might be a better chance of doing that without election year pressures. What do you think Democrats would do as far as that is concerned?

Conrad Answer:

The Congressional Budget Office has told us – the nonpartisan Congressional Budget Office – that the line item veto would make very little difference in these long-term trends, almost no difference. It's been ruled unconstitutional. That to me is kind of an empty suit in terms of something that is going to help us much around here. I do think we need to restore the budget discipline of paygo that says if you want new spending, you have to pay for it. If you want more taxes, you have to pay for them. That's a discipline that helped us very much in the 90's. We need to return to that discipline.

Question: In the last year the GAO came out with a report about re-examining the face of government, that's what Walker said. He said Congress should go back and look at programs that are 40, 50, 60 years old. If you were Chairman of the Committee, would you set up some type of process by which you start scrubbing the federal budget and seeing what sort of programs still deserve to stay on the books?

Conrad Answer:

Yes. Let me say I think that clearly needs to be done. And I also think comprehensive tax reform needs to be done. We have a tax system written for the 1930's. The world has changed. But I again say this. These challenges are now so big that it has to be addressed on a bipartisan basis. Neither party can do this alone. So there has to be a recognition by both that tough action needs to be taken. Our Republican friends have basically just punted it. They leave it up to some future Congress, some future administration. They've taken a walk.

Question: It seems as though the Republicans are talking about the line item veto, the idea of cutting out earmarks and pork projects, and you guys are talking about paygo. What do you see as the substantive difference in terms of what effects those would have on the budget?

Conrad Answer:

I just look historically. Historically, the line item veto has been ruled unconstitutional. Paygo actually worked, and it had bipartisan support. It provided a discipline to the budget process that I think almost any participant would tell you was effective.

Question: Republican leadership's argument against giving Democrats control is that you won't extend the majority of the tax cuts that Republicans passed in 2001 and 2003. Can you say categorically that Democrats would extend the bulk of those tax cuts? What would happen to those tax cuts if Democrats gained control?

Conrad Answer:

Let me say categorically that Democrats support middle class tax cuts. And you know and we know that the middle class tax cuts are on the books and are good through the year 2010. So, those tax cuts are in place, they are strongly supported by Democrats. You know what they are -- child tax credit, the 10 percent rate, dealing with the marriage penalty. We supported those tax cuts. Those tax cuts are in place through 2010.

I know the Republicans have sort of a traditional mantra, and they're playing that same sheet music again. I think what the American people need to know is that Democrats support middle class tax cuts.

Democrats also have a record on these issues. When we were in control, control of the White House and controlled Congress, we dramatically reduced deficits. Every year in the 90's in the Clinton administration, the deficit went down until we achieved balance, and then went even further and stopped using Social Security monies to pay other bills. In addition to that, we were able to dramatically reduce deficits and turn record deficits into record surpluses and expand the economy with the strongest business expansion in our nation's history, the longest extension of economic growth in our nation's history, with low inflation, and the lowest unemployment in almost 30 years. That was the Democratic record on the economy when we had a chance to influence its outcome.

Now you contrast that with our Republican friends. Our Republican friends have achieved a record of what I call the three Ds: debt, deficits and decline. They have run up record deficits, record debt and have put us on a course to economic decline by making us more and more dependent by borrowing from foreign nations, increasing our foreign indebtedness in just five years by over 100 percent. Borrowing 65 percent of all the money that was borrowed in the world last year by nations. That is a pretty poor record. That is the effect.

Question: Should the America people expect that if the Democrats take over that those middle class tax cuts will continue to be extended, while tax cuts for the wealthy will not be extended?

Conrad Answer:

Yes. I would just say this. I will support, as the ranking Democrat on the Budget Committee, as a senior Democrat on the Finance Committee, the extension of those middle class tax cuts when they become due for extension. As I have indicated they are on the books through 2010. So nobody should be misguided with respect to our intentions on middle class tax cuts. There may be some tax cuts that go to the wealthiest among us that are going to have to get trimmed, because you know we have to pay our bills.

Question: Have you heard from the new Treasury Secretary and do you get any sense that he's going to have a little more authority to negotiate on significant budget issues than his predecessor did?

Conrad Answer:

I have heard from him several times. He's been in my office. I have talked to him on at least three or four occasions. The thing is, cabinet secretaries aren't in charge. The person in

charge is the President of the United States. And if he doesn't send a signal that this pile up of debt is a concern, then you are not going to have the Secretary of Treasury sending a signal that they are of concern. You know, I don't know how they cannot be of concern, how anybody in a position of responsibility cannot be concerned, urgently concerned, about this pile up of debt. It is absolutely beyond me.

Question: Could you tell us why the average person should care?

Conrad Answer:

Here's why it matters. The budget document really outlines this country's priorities. What are the things we think are important? And it also indicates whether or not we are going to pay our bills, or whether we are just going to put it on the charge card, shove it off to the next generation. The problem with that is it runs an enormous risk.

This pile up of debt – why does it matter? Because it could very seriously harm our economy, and that would mean people would lose jobs, people would not have the income gains that they would like to have. Why? Because when you run up this debt and increasingly you are borrowing it from abroad, if those foreign interests decide, 'Gee we're getting a little concerned about how indebted the United States is, maybe we just won't show up at the next bond auction.' That would require our country to raise interest rates in order to attract capital from other places to fill in the hole. That's what could threaten the economic strength of our country.

The hard reality here is when you combine the budget deficits and the trade deficits of this country we are borrowing money at a reckless rate, and that threatens the long-term economic security of our country. And the economic security of our country is directly tied to our overall security. If you are not a strong nation economically, you cannot be a strong nation for long militarily.

Question: On paygo, Republicans say they are against it because it doesn't take into account the dynamic impact of tax cuts. In order to get paygo back, is there any room for a compromise on that?

Conrad Answer:

We've had dynamic scoring done now. It isn't the official scoring, but it is now done and it shows very little effect. Our friends on the other side used to support paygo. I have very strong statements from many of the Republican leadership about how important paygo was. Many of us still believe it is important because it imposes a discipline. Now if they don't want any discipline, I can understand why they don't want paygo. We need discipline here.