

**Transcript of Remarks by Senate Budget Committee Chairman Kent Conrad (D-ND)
at Hearing on President Obama's FY 2010 Budget with Treasury Secretary Geithner
March 12, 2009**

I would like to welcome the Secretary of the Treasury, Tim Geithner, here this morning. It is good to have him back before the Budget Committee. Today's hearing will focus on the President's budget and revenue proposals.

I have described the President's budget as a good beginning. The key priorities of the budget – focusing on reforming health care, excellence in education, and reducing our dependence on foreign energy – I believe are the right priorities. I also think it is critically important to be cutting this deficit dramatically over the first five years. We all understand we have inherited a very serious economic situation that requires an extraordinary response. That means increased deficits and debt in the short-term. And it is also critically important that we recognize over the longer term we are on an unsustainable course. And it is absolutely essential that we return to a more fiscally prudent path in the future.

And I want to say what I have said before, that while I think the President's budget is a good beginning, especially over the first five years, I am very concerned about the second five years. I have said this directly to the President, I have said it to every representative of the President who has come to see me, I am very concerned about the second five years. We know that the President has been handed an extraordinary set of crises. I have thought often what it must be like to be President of the United States at this time, to face a housing crisis, a fiscal crisis, a banking crisis, on top of that, an overall economic crisis with the explosion of joblessness in this country, the worst conditions since the Great Depression, and in the midst of it all two wars.

The President's budget includes, I believe, a number of key improvements. I certainly salute his transparency, putting on the table things we know are going to be expenditures that in the past have been left out. I also very much agree with the fundamental priorities on education, energy, and health care, and cutting the deficit in half over the first five years.

On the issue of taxes, some critics of the President's plan argue it represents a tax increase. And for some, clearly it does – that is accurate. On an overall basis, I see something quite different, and I think CBO, when they will score this budget, will also conclude something quite different, because under the traditional scoring rules that we use around here, this budget represents an over \$2 trillion tax reduction.

How do I get there? Well, this budget extends the 2001 and 2003 tax cuts for everybody earning below \$250,000 a year. That is a very significant tax reduction from what current law provides. Number two – this budget extends the alternative minimum tax, so that it doesn't affect 20- or 25- million taxpayers that would otherwise be affected. And that too is not contemplated under current law – that represents a very dramatic tax reduction. The estate tax – the extension of the provisions at \$3.5 million exemption. Current law would take it back to \$1 million – that represents significant tax reduction. And, I can go on and on, but I won't. My colleagues know what is in this budget. The President's budget also contains the Making Work Pay tax cuts and other provisions for individuals and businesses.

When you net it all out, and I include the provisions on climate change because while that is not strictly considered a tax, nonetheless, it has the same effect economically, and so I rack that up as a tax increase, and you net it all out, this budget has \$2.2 trillion of tax reduction. And I believe that will be the CBO score.

I would like to particularly commend the President for committing to pay for the cost of healthcare reform. This is an area that gives many of us great pause because we are already spending one in very six dollars in this economy on health care. We have had testimony before this Committee that as much as 30 percent of that is being wasted. And we have a circumstance in which the UCLA Medical Center's cost are 100 percent more than the cost of the Mayo Clinic healthcare system. We know there is room for dramatic savings, and still have quality healthcare outcomes because the Mayo results are actually better than UCLA results, even though it costs half as much. We see that across the country, so some of us have a real pause about the notion of putting substantially more money into the healthcare system when we already have a bloated system.

What I am most concerned about is, as I said at the beginning, is the debt outlook for the nation. Under the previous administration, we saw the debt more than double from \$5.8 trillion to \$12.7 trillion this year. I have never held the President, the previous President or this one, responsible for their first year. It is always they are inheriting a situation.

But when I look at this budget, I see the debt doubling again and that gives me great concern. Again, based on testimony before this Committee, Democratic witnesses, Republican witnesses, some of the finest economic minds in this country, and indeed the world, coming before this Committee day after day after day warning us of the danger of the buildup of debt. And I believe it. I want to make very clear I believe that buildup of debt fundamentally threatens the economic security of this country. I believe it in my bones. Maybe part of that is I'm Danish. I find that Steny Hoyer over in the House, he's Danish too, he seems to have the same views. I looked at the Danish debt-to-GDP ratio and see it is the lowest. So, maybe I come by this honestly, and maybe it is genetic. But I must say I am concerned about it.

So I want to emphasize I feel it is critically important we do better in the second five years. We need to keep in mind what is at stake here. We are on as a nation an unsustainable fiscal path. That is not the fault of this administration. It is not the fault of this administration. But we are inheriting a situation that we have to grapple with and we have to address. And as I said, I think the President has done a very commendable job in the first five years. I am much more concerned about the second five.

One other thing I should mention, and that is I also believe that the first TARP, as imperfect as it was, and I believe it was very imperfect, I believe had we not done the first TARP that we would have faced an economic collapse. Senator Gregg and I were in the room as the reports were delivered to us that night. We were there all night. We heard the reports of financial institutions going down all across Europe. We heard the reports very directly of major enterprises in America that were on the brink of going down. There is no question in my mind that if we had not done the first TARP, we would have faced an outright economic collapse.

With that said, was it done as best it could have been done? No. And unfortunately we're

living with the results of that now – deep anger in our constituencies. And let me just say anybody that doesn't understand the anger of the American people is not paying very close attention. Every day I get the letters that come to me from my constituents, and the anger level is extraordinary. In the 22 years I have been here, I have never seen such anger with this sense of betrayal that people in positions of responsibility took advantage of them, and they, no fault of their own, now are getting stuck paying part of the bill. The outrage of people cannot be dismissed.