Transcript of Remarks by Senate Budget Committee Chairman Kent Conrad (D-ND)
at Press Conference with Former U.S. Comptroller General David Walker
on Need to Address Long-Term Fiscal Challenges
February 5, 2009

Opening Remarks:

Many of us believe that we are at a critical juncture in the fiscal future of our country; that we are on the brink of an opportunity to alter the future course of America. We all know that we are right now in a very serious economic downturn that is going to take a significant economic recovery package to give lift and thrust to the economy. But we know that after that has been done, that we have to turn our attention to the long-term imbalances that exist.

Very quickly, this chart shows what the Congressional Budget Office projected our long-term budget outlook will look like. You can see by 2058 we are approaching 400 percent of gross domestic product in debt. Now that is totally unsustainable. We can never go to that point or anything approaching that, because the rest of the world would refuse to lend us the money at rates we could possibly afford.

Senator Gregg and I have proposed a bipartisan task force ... to address the long-term imbalances; to include a panel of lawmakers and representatives of the Administration; with everything on the table; with fast-track consideration so that we are assured of Congress getting a vote; and, one that is done with a bipartisan outcome in mind.

President Obama has signaled the need with his call for a Fiscal Responsibility Summit. This is what he said: "What we have done is kicked this can down the road. We are now at the end of the road and are not in a position to kick it any further.... We have to signal seriousness in this by making sure some of the hard decisions are made under my watch, not someone else's."

I believe the President has it exactly right. I believe that this group who has been pushing this agenda for years has got it right. I believe the Peterson Foundation has got it right. We simply must change the future fiscal outlook for our country.

Let me conclude by saying that Alan Sinai, the noted economist said this at a recent Budget Committee hearing: If you fail to act with respect to the long-term debt burden of America, this country will look like a “banana republic.”

Let’s all hope that we have the discipline and the will to prevent that from occurring.

Questions & Answers:

Question: Is there anything in the current stimulus bill that would be a long-term, instead of a short-term, spending program, and if so, should it be removed?

Answer: Yes. The answer is there are things here that have long spend-out tails. The overall Senate package now will spend out in two years about 79 percent, a little over that, 79.3 percent is the last number that I have. That means over 20 percent does not spend out over the next two years. Some of it has much longer tail. I believe all of those things should be reviewed. Some of them I think will still pass muster because they qualify as an investment to strengthen America's long-term competitive position. My own belief is all those things could be scrubbed. By the way, that is exactly what we are doing in a bipartisan group, putting together a package of things that we think could be cut, or things that we should be reallocating. And we will see later today how that works out.

Question: On that bipartisan group, what's the latest on all of you working on that measure, and is there a concern the group might be going too far in taking out programs that are too valuable, especially given that the Omnibus bill happening next is already over budget?

Answer: We have not yet reached a conclusion, so I just can't render a judgement. My own belief is that it is very important that we are able to reach conclusion on a package and that the package pass, and that it is a sufficient size to make a difference – take out things that have long-term spending implications, that would worsen our long-term outlook, that aren't temporary in nature. I also think that it is very important that we reallocate some of the money that has already been put in to the package for things of higher priorities, specifically housing. Housing is central to the downturn that we confront, and while we took a good step last night with the amendment by Senator Isakson, my own belief is that we have to do more, and that it ought to be paid for.

Question: (summary – question regarding size of deficit and whether concerns about the deficit are impacting the debate on the stimulus)

Answer: Absolutely. We have talked about the three T's – targeted, timely, temporary. That needs to be applied here because we have to be concerned about the short-term. We have to make certain that we are providing lift to the economy. We also have to make sure that we are doing no harm, that we're not adding to the long-term deficit outlook.

CBO's latest numbers show, before stimulus, a deficit of $1.2 trillion in the current year. But again, that is before any policy changes. That is before the economic recovery package. That is before further downturn. My own belief is that the CBO estimates are overly optimistic. I have said that to the CBO Director in open session, and unfortunately I think it is overly optimistic. So my own belief is we certainly could be approaching $2 trillion in added debt this year – as distinct from the deficit – but a deficit well in excess of $1.2 trillion, probably in the range of $1.6 trillion, and that's a staggering, staggering amount.

Question: On housing, are you going to offer an amendment on the stimulus?

Answer: Yes, Senator Lindsey Graham and I are offering an amendment that will strip out some

of the things that we think are less stimulative and put the money in to a package for the FDIC and the program that Sheila Bair has outlined for mitigating foreclosures.

Question: (summary - question about possibly putting housing provision in a separate housing package)

Answer: I don't think we can wait, number one. Number two, those who have suggested it will come out of the TARP – there is not sufficient money in the TARP to deal with the financial crisis, much less the financial crisis and the housing crisis. So some are arguing about using the TARP funds. There are not sufficient TARP monies to deal with the fiscal crisis. In fact, I predict to you there will be a request for hundreds of billions of dollars more for TARP just for the financial institutions, much less to deal with the housing crisis. So in my judgement, it is critically important that we put funds in this package for housing.

Question: Do you have a score for your provision?

Answer: It will be about $25 billion and paid for, it will be a reallocation of funds, so we aren't adding to the package. We are taking out other things that we think are less stimulative.

Question: On the President's Fiscal Responsibility Summit, what do you expect to happen there, what would you like to see, do you expect any concrete results?

Answer: I am hopeful for concrete results in the sense of the design and the commitment to a process to lead to real problem solving and to a real conclusion.

Question: (summary - question on health care reform and whether it has to be paid for)

Answer: I believe so.... And not only does it have to be paid for, but it also has to bend the long-term cost curves so that we do begin to deal with what has been described here. Time is running out. We can wait; we can kick this can down the road. However, if we do, this problem only grows, and the solutions will become more draconian, more difficult, more painful. It is in all of our interests to act. I believe the President understands that. I believe his top economic advisers are committed to an approach to take these problems on. This is not going to be easy, and it is not going to be fun, but it has to be done.

Question: I can imagine some folks out there might be a little bit cynical that you are saying we need to make these hard choices, but we're going to appoint a commission that will make those hard choices in the future. Is it important to make some hard choices now, like really slash spending instead of adding another $1 trillion to the deficit now, to go ahead and show a commitment on the part of Congress verses people saying, oh great another commission?

Answer: This is way more than another commission. In our formulation, it is not a commission at all. In our formulation, it is a task force that is given the responsibility to come up with a plan that really gets us back on a more sustainable fiscal course, and that that plan gets voted on. Not another commission where the report sits on some dusty shelf and is never acted on. That there is an assured vote in the Congress of the United States.

With respect to stimulus, in the short-term economic situation we are in, it would be very counterproductive to the economy for us to cut government spending. Why? Because what we are experiencing is falling demand. Consumers can't provide it. Companies can't provide it. The only place you can get an increase in aggregate demand is from the government. The test is do that in a way that doesn't add to our long-term problems, so that this economic recovery package truly is targeted, is temporary and has a focus on investment. So not only are you creating jobs in the short-term, but you are improving the economic efficiency of the United States going forward.