

**Transcript of Remarks by Senate Budget Committee Chairman Kent Conrad (D-ND) at
Hearing on Bush FY 2009 Budget with Treasury Secretary Henry Paulson
February 6, 2008**

The Senate Budget Committee wants to welcome the Secretary of the Treasury, Secretary Paulson. We're delighted to have you back before the Committee. We thank you for your service to the country in this incredibly important position, and at this extraordinarily important time. I think we all know the considerable risks that are out there to the economy and are eager to work together to prevent an economic downturn from turning into something steeper and longer lasting than what might otherwise be the case.

Let me just start by putting into perspective our budget deliberations as we look forward to this year. We now have, under this administration, five of the highest deficits in U.S. history. The administration is telling us we can expect a \$410 billion deficit in 2008, \$407 billion in 2009.

I hear often the pundits say well it's not so bad in terms of share of gross domestic product. I want to counter that by suggesting to those in the media that they are really missing the point that the debt is going up much more rapidly than the deficit. And that while the deficit is forecast to be \$410 billion for 2008, there is also almost \$200 billion of Social Security money that is being used to pay other bills. And if you put those two together it is \$600 billion – that's over four percent of GDP.

If you go back to the '80's which many people are eager to compare with, we had a deficit then of \$208 billion, but the Social Security surplus was only \$200 million – \$200 million. So when people are looking at deficits to GDP in those days, and compare it to now, it is apples and oranges. There is no comparison between what the real shortfalls are now as a share of GDP and what they were then.

The total debt for this year is not going to go up by the deficit of \$410 billion. The debt of the country is actually going to go up by over \$700 billion. Of course, the biggest difference is what I have already described, the Social Security money that is being taken to pay other bills, and other trust funds as well that are being tapped. So if you look at the gross debt of the United States, it is going up by \$700 billion.

The result of all of this is that we are building a wall of debt of stunning portion going from \$5.8 trillion at the end of 2001 to \$10.4 trillion by the end of 2009 – the eight years that the President will be responsible for – nearly a doubling of the national debt.

And increasingly this is money that we are borrowing from abroad. We are increasingly reliant on the kindness of strangers. If we look at the top 10 foreign holders of our national debt, we see Japan at the top at nearly \$600 billion; China approaching \$400 billion; the United Kingdom over \$300 billion; and "oil exporters" over \$120 billion, and on it goes. We even owe Korea more than \$40 billion.

The Comptroller General (David Walker) in testimony before the Senate Budget Committee on January 29 said this:

“... I believe we have a five- to 10-year window of opportunity to demonstrate to our foreign lenders that we're going to get serious about this. Five to 10 years, and it's closing. And I think it's closer to five than to 10.... Keep in mind, we're the largest debtor nation in the history of mankind, and it's getting worse, not better.”

That is the Comptroller General of the United States telling us, all of us, Congress, the administration, the time is a wasting and we cannot continue to run up this massive debt.

The administration comes forward with a proposal that says we're going to start. We're going to lay down a proposal to save \$600 billion in Medicare and Medicaid over ten years. But in the same budget document, they are saying cut taxes another \$2.2 trillion. That just digs the hole deeper. And somehow, my own belief is together we have to come up with a comprehensive plan that deals with the imbalance between our revenues and our expenditures and these enormous shortfalls in our entitlement programs.

When I look at the assumptions behind this forecast I see that OMB is estimating economic growth at 2.7 percent. Congressional Budget Office says it will be 1.5 percent. So, as bad as these numbers are, they are buttressed by what looks like a rosy economic forecast.

I think we all understand the need for a stimulus package. I am not going to go through here the elements that are in the stimulus package that passed the Senate. We'll get to that in questions, but I do want to conclude on this note.

Senator Gregg and I have made a proposal for a task force, 16 members evenly divided to address the long-term fiscal imbalance, and to come up with a plan that would then come to Congress for a vote. Everything on the table. You know, when we started this earlier last year, I was convinced of its need then. Virtually every witness before this Committee has said it is imperative. It is imperative that we have some approach, either this one or something like it to get at the extraordinary challenges that the next administration will face.