

**Transcript of Opening Remarks by Senator Kent Conrad (D-ND)
at Senate Budget Committee Hearing on the Long-Term Budget Outlook
with Government Accountability Office Comptroller General David Walker
January 11, 2007**

I thank Senator Gregg very much for the way he has conducted this Committee. Senator Gregg has been an exemplary Chairman. He has conducted this Committee professionally and with good humor and with fairness. And he gives us all a good example of how committees should be chaired in the United States Senate. He has also graced this Committee with outstanding staff, and we have just a very good, very positive working relationship on this Committee, and we intend to continue it.

Senator Gregg and I have had lengthy discussions about the enormous fiscal challenges facing the country and our desire that we enter into a process to be able to address those issues and to do it this year. Obviously, whether or not that goes forward is at a higher pay grade than ours. It involves the President of the United States; it involves the leadership of both the House and the Senate. But, I think it is fair to say that we are prepared to work in good faith to try to find solutions to these vexing long-term issues that I believe fundamentally threaten the long-term economic security of the country if they are not addressed.

Senator Gregg has repeatedly demonstrated that he is serious about this, so I very much look forward to the opportunity to work with him and others of our colleagues to try to address these issues.

I also want to take this moment to thank and welcome the new members of this Committee. I see Senator Whitehouse is here. We are delighted to have you. Sheldon, let me just say to you that when I started on this Committee that's where I was – I was behind the screen. I also want to welcome Senator Ben Cardin of Maryland who served on the Ways and Means Committee and is deeply knowledgeable. We are delighted to have him as a member, and Senator Sanders of Vermont as well.

I also should indicate that Senator Lautenberg, the former distinguished ranking member of this Committee has agreed to temporarily serve in Senator Johnson's spot pending Senator Johnson's recovery. Let me say that all of our colleagues are hoping and praying for Senator Johnson's full and swift recovery. We have been delighted by the reports of recent days of Senator Johnson's progress, and we eagerly await his return. But we so thank Senator Lautenberg for his willingness as a former ranking member of this Committee to come back to temporarily serve in Senator Johnson's slot.

With that I want to commend you, Mr. Walker. You are the head of the Government Accountability Office. You could sit in your office and issue reports and nobody could fault you for that. But really these circumstances demand more. And you are giving more. And I want to publicly thank you. We don't have to agree on every single thing, every statement you made. I have had members of the press closely quizzing me in the last 24 hours – do I agree with this Walker statement, with that Walker statement? That's not the point. I agree with the overall message that you are attempting to deliver to the nation that we are on an unsustainable course. And it has simply got to be changed.

Before I go forward, I again want to thank Senator Gregg for his assistance in organizing this hearing because we could not have proceeded without him, because he is still Chairman of this Committee in a formal sense, and again I deeply appreciate the way he has cooperated so we could have this hearing.

Since 2001, the nation has undergone a dramatic budget deterioration. We all know the pattern -- record deficits, but more importantly the debt is going up more rapidly than the size of the deficits. I think this is too often lost. Last year, the deficit was \$248 billion, but the debt increased by \$546 billion. And I think this is a point that too often has been lost.

We are facing a wall of debt. At the end of 2001, gross debt of the country was \$5.8 trillion. At the end of 2006 that has mushroomed to \$8.5 trillion. And if we continue on the President's course, we will have the debt soar to \$11.6 trillion by 2011.

The result is that increasingly we are borrowing these very large amounts of money from abroad -- 52% of our debt is now financed from abroad. We have doubled foreign holdings of U.S. debt in just the last five years. We owe enormous sums of money to Japan, to China, to the United Kingdom.

And this increase in debt is happening at the worst possible time, right on the brink of the retirement of the baby boom generation, a point that you, General Walker, have made repeatedly, that right now in many ways is the budget sweet spot. We have got coming at us something we have not seen before, and perhaps it is one reason our colleagues have a difficult time adjusting to it. It is this demographic tsunami of the baby boom generation, and it is going to change everything, and that is not a projection. These people have been born; they are alive today; they are going to retire; and, they are going to be eligible for Social Security and Medicare and we have to get ready.

The number of Social Security beneficiaries is projected to climb to 82 million people by 2050. We need to remember that Social Security is not the biggest challenge.

Because of rising health care costs, over the next 75 years, the shortfall in Medicare is seven times the projected shortfall in Social Security. By the way, I believe the shortfall in Medicare is far more likely to come true than the shortfall in Social Security.

The growing costs of Medicare and Medicaid is simply staggering. By 2050, if nothing changes, more than 20 percent of gross domestic product will be spent on Medicare and Medicaid alone. That is about what all of government costs us now.

We don't just have an entitlement spending problem. We also have, I believe, a revenue problem. If all of the President's tax cuts are made permanent, the cost will explode at the very time the cash surpluses in Social Security and Medicare become deficits. In other words, the President's tax cuts will dramatically worsen an already deteriorating budget picture.

Now, the good news is that these problems are not insurmountable. The fact is that we could make meaningful difference in these long-term projections if we took action here in the Congress and the President agreed. I believe it will take a bipartisan effort. I believe neither party can do this

acting along. I think we have to work together, and act together. It can and must be done, and the American people deserve nothing less.