**Transcript of Remarks by Senate Budget Committee Chairman Kent Conrad (D-ND) at Hearing on CBO January Budget and Economic Outlook January 24, 2008**

I would like to welcome everyone to today's Budget Committee hearing on the CBO Budget and Economic Outlook. Dr. Orszag, it has been one year since your first testimony to Congress as CBO Director, before this very committee. We thank you for being here today and for your service as the Director of the Congressional Budget Office. I know you have already had the chance to testify on the House side and also at the Finance Committee on the stimulus package, so you have been very busy to start the new year. But we welcome you to the Senate Budget Committee as well.

Let me just go through quickly a couple of slides to put into perspective the circumstances we find ourselves in. We have had substantial deterioration in the budget picture. You can see, last year we had a deficit of about $163 billion. This year, when we take the CBO baseline and we add back war spending that is not in the CBO baseline and the effects of the proposed stimulus package, we see a deficit this year approaching $380 billion.

But that tells just one part of the story. We also see the debt going up substantially more than the deficit. As I travel around I find enormous confusion among the public about the difference between the deficit and the debt. The biggest difference between these figures of course is the Social Security trust fund money that is being used to pay regular operating expenses of the federal government. That is money that will have to be paid back, but it does not show in the deficit calculation. It is nearly $200 billion in 2008, but it is all added to the debt.

We looked at the CBO deficit estimate, and we put with that the President's policies -- that is the extension of the tax cuts and additional war cost – and we see that by 2018 we would face a deficit of nearly $600 billion.

All of this leaves us with a picture of ever escalating debt. The gross debt of the United States was $5.8 trillion at the end of 2001. At the end of 2009, which will be the last year that the President's budget will have been operational, we anticipate that the gross debt of the United States will be $10.3 trillion. And we're headed, by 2013, for a gross debt of over $13 trillion.

And if we look at an even more extended picture, according to CBO, the federal debt absolutely soars in the long-term budget scenario going out to 2058. This is a result largely of the retirement of the baby boom generation and the pressure on Medicare and Social Security. And I hope we will have a chance to have some discussion today about the absolute need to face up to these long-term imbalances, these shortfalls in the entitlements, and the disconnect between revenue and expenditure, at least proposed expenditure.

I would like also to put into perspective economic conditions we face, such as the housing slump. You see the sales of new single-family homes have fallen dramatically. We continue to see fallout from the subprime crisis and the other credit markets. We have seen certainly serious effects in the financial markets.

This is a headline from the *Financial Times*: "Fears Spark Global Plunge." This is from January 22nd. These are foreign markets. Obviously, our market yesterday showed a significant increase. I think we were up almost 300 points yesterday on the Dow. But this is what has been happening in other markets, the UK, Europe, Asia.

We have also seen consumer confidence deteriorate in 2007. The index of consumer confidence from the Conference Board has slumped dramatically. That is why there is the talk of a stimulus package, the need to do something, and do it quickly.

I just want to reference the Chairman of the Federal Reserve, who warned us that any program should be explicitly temporary, both to avoid unwanted stimulus beyond the near-term horizon, and, importantly, to preclude an increase in the federal government's structural budget deficit.

Finally, I would like to end on something that is bipartisan, at least on this Committee, and that is the question of a device to address these long-term imbalances, including the shortfalls in Medicare and Social Security. That is the proposal that the Ranking Member, Senator Gregg and I have made for a task force to address the long-term fiscal imbalance: a panel of lawmakers and administration officials; with everything on the table; with fast-track consideration so it is not just another commission report that sits on the shelf somewhere, but actually comes to Congress for a vote; and that is structured in a way that assures a bipartisan attention to these issues.

I just want to alert my colleagues that it is going to be my intention to advance this proposal this year. Senator Gregg and I are talking about on what vehicle it would be most appropriate, but I want to alert staff of our colleagues who are here. I have been patient, I have listened very carefully to the concerns of colleagues. We are prepared to have some change in the timing of the report. We're also prepared to consider other constructive suggestions. I just want to alert my colleagues that I am not going to allow this year to go by without giving our colleagues an opportunity to vote on whether or not we advance this proposal.