

**Transcript of Remarks by Senator Kent Conrad (D-ND)
at Senate Budget Committee Hearing on the President's FY2004 Budget
with Office of Management and Budget Director Mitch Daniels
February 5, 2003**

Opening Statement

Thank you Mr. Chairman. Thank you for holding this hearing. Thank you to Mr. Daniels for being here.

Director Daniels, this is a budget proposal that we have strong disagreements about. We think it's going in the wrong direction, that it will build deficits and debt in a way that hurts our long-term economic strength. Before I go into that, I think perhaps just a review of where we've been would be useful.

I hate to bring you back to words that you've used before, but let me just go back to what you told us back in 2001. You said then that the, "...budget is built on extremely conservative assumptions. The government has been underestimating its revenue repeatedly.... And we may well be doing that again. When you look at these numbers, you will find the chances are probably better that we have greater not smaller surpluses over these years."

Let's look at the reality of what's happened. You'll recall CBO had done this fan chart on likely outcomes, and the mid-point was based on the notion that we'd have almost \$6 trillion of surpluses. In 2001, you were telling us that there would be even more money, in your judgement, than that. Now, if we go back and look at what actually happened, we're below the bottom line of outcomes. So the result of that is, instead of \$5.6 trillion of surpluses over the next decade, if we adopt the President's policies, we're \$2.1 trillion in the hole, and that's just over the next 10 years.

Last year the President told us that the "...budget will run a deficit that will be small and short-term..."

Again, we can now reflect on that and look at what's happening. This is what the President's budget is now telling us. If you look at his document, the Analytical Perspectives, this is a chart from the President's own budget book. We never escape from deficits. And the deficits mushroom geometrically if we extend the 2004 policies. That's what's in the President's budget book.

The President told us back in 2001 the importance of paying down debt. He said, "My budget pays down a record amount of national debt. We will pay off \$2 trillion over the next decade. That will be the largest debt reduction of any country, ever. Future generations shouldn't be forced to pay back money we have borrowed. We owe this kind of responsibility to our children and grandchildren."

Well, that's another statement I guess that's by the boards.

Let's go to the next chart that shows what's happening to the gross federal debt. It's not going down. It's going up, going up dramatically. And the same picture would emerge if we looked at publicly held debt. The President told us in 2001 that we'd pay off virtually all publicly held debt. Now we see that by 2008 we'll have \$5 trillion of publicly held debt.

I guess the point of all this is this game plan hasn't work. It hasn't come close to working. And what the President is proposing is more of the same. More tax cuts that are not paid for, that add to the deficit, that add to the debt, that put us in a circumstance that we never emerge from deficit for as far as the eye can see. And in fact, the deficits become so large that they're clearly unsustainable. So, that's my reading of the President's proposal. I think it's one we cannot adopt. We must find a way to move in a different direction.

Closing Statement

Let me just conclude by saying this to you. I personally support tax cuts this year to give lift to the economy. In fact, I'd support a bigger package than what the President has proposed [for this year].

What I find dangerous, and I believe is radical and reckless, is the President's plan for additional tax cuts in future years that explode the deficits, explode the debt. Just making the tax cuts permanent, which he has proposed, costs this decade, I think \$600 billion is the estimate. It costs \$4 trillion the second decade right at the time the baby boomers retire.

So, you are making the circumstance that we face with Medicare and Social Security – where we would agree we face massive long-term imbalances – you're making our ability to deal with that far more difficult, and presenting the country with what I think in the future will be truly draconian choices. Further, I believe that adding to deficits and debt when we are already in deep deficit and debt will not enhance economic growth, but will inhibit it, because of the dead weight of that deficit and debt, we will reduce the pool of societal savings, will reduce investment, will reduce economic growth, not improve it. That's where this debate lies. It is an honest difference.

I'm alarmed. I don't want to hide it. I think this is a profound mistake for our nation. Not [tax] cuts in the short-term to lift the economy, but these deep permanent cuts when we already face demands we can't finance.

With that, I again say to you, I respect your public service. It is not easy to be in your position. It certainly is not easy at a time like this. Thank you for your appearance.