Transcript of Opening Statement by Senator Kent Conrad (D-ND)
at Senate Budget Committee Hearing on the President's FY 2004 Budget
with Glenn Hubbard, Chairman of the President's Council of Economic Advisors
February 4, 2003

Mr. Chairman, I would start with just a brief review of where we are from my perspective, and where we're headed, and why this all matters a lot.

The President said in 2001 that he was using conservative economic assumptions. He said, "Tax relief is central to my plan to encourage economic growth and we can proceed with tax relief without fear of budget deficits even if the economy softens. Projections for the surplus in my budget are cautious and conservative. They already assume an economic slowdown in the year 2001."

Well we now know with the President's release of the budget that those statements really missed the mark. We were told we would have nearly $6 trillion over the next decade in surpluses. In the President's most recent information that has turned to $2.1 trillion in deficits. A truly dramatic turn approaching $7.8 trillion over the next decade.

Last year the President said, "...[O]ur budget will run a deficit that will be small and short-term..." Well, again, he missed the mark and the reality of our situation is much more stark.

This, again, is from the President's own documents that show that we are actually – even though we are running record deficits now, those deficits on the left hand side of the chart are record, they are the biggest in dollar terms that we've ever had – but the President's own information shows that if we pursue this budget policy we never get out of deficits. In fact, they become much larger over time as the baby boom generation retires.

The President as part of his package has proposed a stimulus or growth package. But, we see that very little of the cost of it is effective in this first fiscal year. Less than five percent of the stimulus plan or the growth plan is effective this year. The one thing that is growing is the debt, and the debt is growing dramatically. Gross federal debt will go from $6.2 trillion last year to $9.4 trillion by 2008, a time at which the President had previously indicated we'd virtually retire the publicly held debt.

Now we go to the question of what works in terms of economic growth. The Chairman has been very correct, I think, to point out what we've got to do is get back on an economic growth path. This is from the Macro Economic Advisors, who I'm told provide macro economic analysis to the White House, as well as to the Congressional Budget Office. And what their estimates show is that the President's policy does provide a spike up in the near term, but past 2005 provides lower economic growth than if we didn't do anything at all. It actually hurts economic growth for the long-term.

That view is buttressed by Mark Zandi, the chief economist for Economy.com. He says

in 2003 the Democrats' plan that provides more short-term stimulus will provide about twice as much economic growth in 2003, little more than twice as much in 2004, but interestingly enough will not provide the long-term harm that the President's plan will have. Again, he finds, just like the other econometric firm has found, that the President's plan actually hurts long-term growth.

Let me just conclude with a statement from you Mr. Hubbard. In your textbook, you say and I quote, "We can represent the large increases in the federal budget deficit in the early 1980's creating short-term, short-run pressures for higher output and interest rates. By the late 1990's an emerging federal budget surplus put downward pressure on interest rates."

And I would agree with that, and I would suggest that increasing deficits, increasing debt will serve as a drag on the economy. That's what other economists have found, that the dead weight of deficits and debt actually hurt long-term economic growth. That's really what this discussion is about, this debate is about. We've got to together find the strategy that will best help our country return to economic growth.