

**Transcript of Floor Statement**  
**by Senate Budget Committee Chairman Kent Conrad (D-ND)**  
**on the President's Budget Proposal and the Need for Stimulus Legislation**  
**February 5, 2008**

Yesterday, we received the President's budget for this year and for the next five years. I wish to take a few moments to comment on that and then on the need for a stimulus package given what is happening in the economy.

First, I wish to indicate that we have seen under the President's leadership a dramatic deterioration in the budget circumstance for the country. Last year, the deficit was about \$160 billion. The administration is now forecasting that under its budget proposal, the deficit for this year will reach \$410 billion, the second biggest deficit in dollar terms in our Nation's history, and for next year, again a deficit of more than \$400 billion.

This does not tell the whole story. This is the deficit story. The debt story is far more serious. As I have been saying for a number of years, the debt is the threat. However, we will never hear the word "debt" leave the lips of this President. Never. We will never hear him talk about the growth of the debt. We will never hear him discuss the threat of the debt. We will never hear him discuss a plan to deal with the debt. It is as though the debt of the country for this President does not exist. Why? Well, perhaps because the debt is growing far more rapidly than the deficit.

The President says the deficit for 2008 will be \$410 billion. If you look at his proposals, you see the debt will increase under his plan by more than \$700 billion. Let me repeat that. Under the President's plan, the debt will not increase by the advertised deficit of \$410 billion; the debt will increase by more than \$700 billion.

Why the big difference? The biggest reason is that, under the President's plan, nearly \$200 billion in Social Security money is being taken to pay other bills. If you were doing that in the private sector, if you were taking retirement funds of your employees to pay operating expenses, you would be on your way to a Federal institution. But it would not be the House of Representatives or the White House; you would be on your way to the "big house" because that is a violation of Federal law. But here the President can propose a budget that does it. In fact, that is what he has done the entire time he has been in office. He has taken trillions of dollars in Social Security money and used it to pay other bills.

The problem with that, of course, is that while none of it is counted in the deficit calculation, it all gets added to the debt. The result is that here is what is happening to the gross debt of the United States. At the end of the President's first year -- and we don't hold him responsible for that year because he inherited a budget from the previous administration -- the debt was \$5.8 trillion, the entire debt of the U.S. Government, the Federal Government. We now see that at the end of 2009, which is the last year he will be responsible for, the debt will be \$10.4 trillion. So he will have increased the debt of this country by 80 percent in 8 years. What a disastrous legacy this is. He has us on course to have more than \$13 trillion in debt by 2013.

This is before the baby boomers retire. We cannot pay our bills now. Can you imagine what is going to happen when we double, in very short order, the number of people eligible for Medicare and Social Security?

Perhaps of even greater concern is what this President has done to foreign holdings of our debt. It took all of these Presidents pictured here on this chart -- all of the 42 previous Presidents -- 224 years to run up a trillion dollars of U.S. debt held abroad. This President has more than doubled that amount in just seven years. He has added over \$1.3 trillion of foreign-held debt in his seven years. That means we now owe the Japanese nearly \$600 billion; we owe the Chinese a sum approaching \$400 billion; we owe the British over \$300 billion; we owe the Koreans over \$40 billion. That is the legacy of this administration.

Now the President comes with his budget, and says he is going to start doing something about the spending side of this equation. He said: I want to cut Medicare and Medicaid over the next 10 years by \$600 billion. No, I didn't misspeak. That is what is in the President's budget. He wants to cut Medicare and Medicaid \$600 billion over the next 10 years. That is health care for those who are Medicare eligible -- largely the senior citizens of this country. The President wants to cut that by \$600 billion.

At the same time, in the same breath, in the same budget, he says: While we are doing that, let's cut taxes another \$2.2 trillion. Let's dig the hole even deeper and add more to the deficit and debt. Let's go more in hock to the Chinese, the Japanese, and anybody else who will loan us money.

These numbers of the President substantially understate how serious it is. Why? Because, magically, he has just left things out. On the war, the President has no costs beyond the first half of 2009. The President said there should be no timetable on Iraq. He has just provided the timetable, hasn't he? He provided the timetable for withdrawal in his budget because he says there is going to only be funding for next year. The President, who said he is against a timetable for withdrawal, just wrote one. His timetable is provided in his budget. He says that after four months of next year, there is not going to be any funding for the wars in Iraq and Afghanistan. How much will be spent for the wars in 2010? He says zero. Next year, it is \$70 billion, after spending nearly \$200 billion this year. This budget charitably can be called a great work of fiction because it bears no relationship to any reality.

In addition, regarding the alternative minimum tax, which everybody says has to be fixed, he has the money to fix it for one year. He doesn't have a dime to fix it for any of the next four years after that. So we are talking about hundreds of billions of dollars that are not in this budget.

Finally, for the fourth year in a row, for the first time in any administration's history, the President provides no spending details past this coming year. So he has the cuts in there, but he doesn't tell you how they are going to be done. More make believe, more fantasy, and more fiction -- that is what this budget is all about.

The war cost \$193 billion this year. Next year, it will only cost \$70 billion -- that is what the President says. That is in this budget. Can anybody believe it? I have not found anybody who does -- not if the President's policy is pursued.

In terms of the priorities of this budget, they are also subject to serious question because if you look at the relative priorities of what the President has proposed, here is what you see.

For those who earn over \$1 million a year, the cost of the President's tax cuts for that category of earners will cost \$51 billion in 2009 alone. Let me repeat that. The cost of the tax cuts for those earning over \$1 million a year will be \$51 billion in one year alone. On the other hand, the President says we have to cut low-income heating assistance by \$400 million. So you don't have \$400 million for low-income heating assistance, but you do have \$51 billion for tax cuts for the wealthiest among us.

The priorities continue in that same vein. It would take \$826 million to restore the cuts to education that are in this President's budget -- \$826 million for one year. Again, the President says, no, it is far more important -- if you do the math, he is saying it is more than 60 times as important to provide additional tax cuts for those earning over a million dollars a year, because the tax cuts for that category -- the cost of the tax cuts are over \$51 billion for next year.

The same is true in law enforcement. In many ways, this is the most startling. The President says eliminate the COPS Program, which has put more than 100,000 police officers on the street. The President says forget it, cut it 100 percent. No additional police on the street. What sense does that make when crime is rising? He doesn't say cut it; he says eliminate it. It would cost \$596 million for one year to restore that program. Again, the cost of the President's tax cuts for those earning over \$1 million a year is \$51 billion. That is almost 100 times as much as restoring funding for police.

If we look at specific proposals by the President in this budget, we see he proposes cutting the COPS Program, as I have indicated, by 100 percent; weatherization assistance, cut that 100 percent; first responders -- the aid to our firemen and our emergency personnel -- he says cut that 78 percent; clean water grants, cut that 21 percent; community development block grants which help our cities -- and every mayor will tell you these are the most flexible funds they get from the Federal Government -- cut that 20 percent; cut low-income energy assistance 17 percent.

That brings me to the subject of the need for a stimulus package. Economic growth, we are seeing, has slowed dramatically. The Congressional Budget Office says economic growth is going to slow to 1.5 percent this year.

By the way, all of the numbers I used, and the President's budget -- do you know what economic growth number he used? He didn't use 1.5 percent, which comes from the nonpartisan Congressional Budget Office. He says the economy will grow at 2.7 percent. So all those numbers I showed are the best-case scenario, because he has a rosy scenario with respect to what economic growth will look like. If we look at the last quarter of last year, what happened to

economic growth? It slowed to six-tenths of one percent. That should be a tipoff that we have a problem.

Here is what is happening to the housing industry. They are not in a recession; they are in a depression. Here is what happened to new home building. It has gone from a peak in 2006, and it has virtually collapsed. We just met with the homebuilding industry. They say this is the worst downturn since the Great Depression. That ought to get somebody's attention.

Energy costs are spiking. We know what happened to fuel prices, fertilizer prices, home heating fuel, gasoline, and diesel. As a result of that, consumer confidence has taken an enormous hit.

Here is the index of consumer confidence, which was down very dramatically as we went through the months of last year and into the early part of this year. This is what signals that we are in serious territory and that the economy is seriously at risk.

The unemployment rate has risen sharply over the past year. We saw in the last jobs report that we actually lost 17,000 jobs. This was stunning to most economists, who were forecasting there would continue to be slow but modest job growth. Instead, it appears the economy hit a wall.

This is what the Federal Reserve Chairman told us on January 17: "Any stimulus 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."

He went on to say about an effective stimulus: "There is good evidence that cash that goes to low and moderate income people is more likely to be spent in the near term....Getting money to people quickly is good, and getting money to low and moderate income people is good, in the sense of getting bang for the buck."

Here are the elements that represent improvements in the Senate stimulus package. We cover 20 million seniors who were not covered in the House package, and 250,000 disabled veterans are included in the Senate package, but not in the House's. We have higher rebates for low-income households -- \$500 versus \$300. It extends unemployment insurance benefits, which gives us the biggest bang for the buck.

We prohibit illegal aliens from receiving rebates. That was not brought to their attention in an effective way, so, unfortunately, it is conceivable that illegal aliens could get rebates under the House package. We have prevented that in the Senate package.

We also have better targeted business provisions, especially the net operating loss carryback. I am proud to have authored an amendment that losses in 2008 could be carried back to profitable years, so that companies that are in this depression -- those in the homebuilding industry -- will qualify for assistance to prevent them from having even steeper layoffs and cuts.

Finally, we encourage investment in alternative energy. Let me just point out that some say, in terms of incentives, that the extension for one year, for example, of the wind energy tax incentives, that is not stimulative. Really?

Tell that to the company in North Dakota that makes the big blades for wind turbines. They have told me, if the wind energy tax provision is not extended, they are going to start laying off people. They employ hundreds of people in my State. When people say the energy package is not stimulative, I tell you in my State it is because we have manufacturing facilities that make the giant blades for the wind turbines.

I have commented on the President's budget because the President is going to dump a debt bomb on the desk of the next President. That is what is going to occur. He has nearly doubled the national debt. He has it going up at a rate of \$800 billion a year, not the \$400 billion of deficit we read about in the paper. The debt is going up twice as much, \$800 billion a year, after this next year when it is going up \$700 billion.

The next President is walking into a fiscal meltdown of historic proportion. This President has been the most wildly irresponsible fiscal steward in this country's history. That is a fact. The next President and the next Congress better get ready because they are walking into an absolute fiscal quagmire.