

**Transcript of Remarks by Senate Budget Committee Chairman Kent Conrad (D-ND)  
at Hearing on Bush FY 2009 Budget with OMB Director Jim Nussle  
February 5, 2008**

Opening Statement:

I want to welcome the Director of the Office of Management and Budget, Jim Nussle. This is Director Nussle's first appearance before the Budget Committee since his confirmation, so we especially want to welcome him.

He has, I think, the unenviable job of coming here to defend the President's budget, but I have no doubt that he will do his best. This is – as I said yesterday – we've seen this script before. And it is a script and a play that leads us to an unfortunate ending – more deficit spending, greater debts and, unfortunately, a fiscal circumstance that will leave the next President inheriting what I believe will be a fiscal meltdown.

Let me just offer some background in terms of what we see is the deterioration in the budget picture. The President's budget indicates that for 2008 the deficit will be up – \$410 billion, near record terms in dollar amounts. For 2009, about the same level.

But I think that really misses the point, and to me, the media coverage and much of the analysis misses the biggest problem that we confront, which is the growth of the debt. I really believe, increasingly, the debt is the threat. And let me indicate why.

The President is saying the deficit for 2008 will be \$410 billion. The debt will increase by more than \$700 billion in one year. Total debt of the United States is now over \$9 trillion as we meet here today – some \$9.2 trillion. By the end of this year, we could be approaching a gross debt of \$10 trillion.

Now, I see this all the time, a confusion between the deficit and the debt. The deficit is the difference on an annual basis between spending and revenue. But it neglects to take into consideration the money that is being taken from Social Security to pay other bills – some \$200 billion this year alone – none of which is counted in the deficit. Every penny of which is counted in the debt, every penny of which has to be paid back. And so when I read in the news media over and over a deficit of \$400 billion, I don't see a word mentioned about the increase in the debt. And I never hear the word debt leave the President's lips. Never.

The result of all this is the gross debt of the United States is going up like a scalded cat. As I indicated, by 2009 we now anticipate the debt will be over \$10 trillion, headed for \$13 trillion. And this is the sweet spot of the budget cycle, this is before the baby boomers retire. What is going to happen when you put on top of this legacy of debt the retirement of the baby boomers?

And even more startling is foreign holdings of U.S. debt and what has happened there. I have shown this chart before, but it becomes even more dramatic as we include the latest numbers. It took 42 Presidents 224 years to run up a trillion dollars of foreign-held debt. The President has more than doubled that amount in just seven years. So, increasingly, we owe hundreds of billions of

dollars to the Chinese, the Japanese and all around the world.

Now the President brings us a budget that says, as a result of all of this, we have to cut Medicare and Medicaid some \$600 billion over the next ten years. And in the same document he says oh, by the way, cut taxes \$2.2 trillion. Let's dig the hole deeper, more debt, more borrowing from China and Japan. I think this is the way great nations squander their strength and wind up greatly diminished.

I look at this budget and what I see is largely a fantasy. No war costs beyond the first half of fiscal year 2009, no alternative minimum tax reform beyond 2008, no spending policies beyond 2009, other than these very deep cuts in Medicare and Medicaid.

When we look at the war costs, the President says in this budget the war is going to cost \$70 billion in 2009. Does anybody believe that? Does anybody believe that? In 2008, we're at almost \$200 billion. What is the President forecasting here? That there is an abrupt end of the war in Iraq, is that the forecast? It must be. The only possibility, to see that kind of dramatic reduction, is that the President is forecasting an abrupt end to the war in Iraq.

When I look at the specific priorities here, again, the President trots out proposals that have been completely rejected by Congress in the past, both Democratic and Republican Congresses. The President says cut the COPS program 100 percent; cut Weatherization Assistance, not 50 percent, not 75 percent, the President says eliminate it; First Responder Grants – that's our fire, that's our ambulance squads – cut those 78 percent; cut Clean Water Grants 21 percent; cut Community Development Block Grants that every mayor will tell you are the most flexible funds available to them to meet contingencies – cut those by 20 percent; cut low income energy assistance program nearly 20 percent.

When we look at the legacy of this President I believe it will be summed up in three D's: debt, deficits and decline. And that will be a tragedy, not just a tragedy for this President's legacy, but far more important a tragedy for this country.

If we look back, this President inherited a record surplus, projected surplus of \$5.6 trillion which he touted at the time. Now what do we have? Deficits of \$400 billion a year and debt increasing at more than \$700 billion a year.

He inherited a circumstance in which we were on track to pay down all publicly-held debt. Instead, as a result of his policies, we have a debt that is exploding, a debt that will nearly have doubled on his watch.

He inherited the strongest economy in three decades. Now we have an economy that is slowing sharply – so seriously that the Federal Reserve has taken emergency action and this Congress is now contemplating a stimulus package.

Finally, this President had robust job growth when he came in. Now, we have the weakest jobs growth since the Hoover Administration.

What a record. That is the fiscal record of this President, and again, tragedy for his legacy

because at every step of the way he's been wrong. Every single year what he had said would be the outcome has been wrong. Not just a little bit wrong, completely wrong.

You will recall when we started this exercise he said there would be no deficits. When that proved not to be true, then the President said well the deficits will be small and short-term. When that proved not to be the case, record deficits, he said well they'll be small by historical standards. When that proved not to be true, he said well sometime down the road we'll get back on track. It has never happened.

What has happened is an explosion of debt and deficit, a weakening economy and this country's future fiscal condition gravely jeopardized. This President is going to hand off to the next President the worst fiscal condition, I think, in the history of this country. When you take into account that we are also poised to have the baby boom generation begin to retire, and that starts this year and next. And this President has done nothing to prepare for it.

The bottom line is that the President's stewardship of our budget and economy has been a disaster. We need a dramatic change in our fiscal course, and it can't happen soon enough.

Questioning of Director Nussle:

*Chairman Conrad:*

At the end of the President's first year, the debt of the United States was \$5.8 trillion. We don't hold him responsible for the first year because he's working off the budget plan from the previous President. We're now at over \$9 trillion of debt. At the end of the President's eight years of his responsibility, we'll be at over \$10 trillion. Is this a sustainable course?

*Director Nussle:*

I believe it is not a sustainable course, and in fact, by my calculation about 50 percent of the debt that is added and will continue to be added comes from our mandatory programs, not the programs that unfortunately we'll talk about during the bulk of the appropriations process over the next six to nine months, but rather the programs – that unless we actually take active effort on both of our parts – will continue to grow and grow out of control.

*Conrad:*

But Director Nussle, this is what happens under the President's plan. You take the President's plan all together, this is the result. You have testified it is not sustainable, and yet that is the President's proposal. Mr. Nussle, it is to me not just irresponsible, it is wildly irresponsible to lay out this blueprint for the nation's finances. It's just debt on top of debt. What do you anticipate the debt will go up this year?

*Nussle:*

Well, let me – got that figure in front of me.

*Conrad:*

Gross debt, how much will that go up this year?

*Nussle:*

Let's see if I have that here. Gross federal debt from '08 to '09 is \$9.6 trillion to \$10.4 trillion.

*Conrad:*

So that's \$800 billion.

*Nussle:*

From '08 to '09.

*Conrad:*

So, again, what is the increase then in the debt that you are forecasting under this plan? From '08 to '09 it is going to go up \$800 billion?

*Nussle:*

I think you have it about right. Yes, sir. But, if I may, Mr. Chairman --

*Conrad:*

Well, let me just say this to you -- \$800 billion. How much has it gone up since this President took office?

*Nussle:*

Well, what should we do about it? Let's do something --

*Conrad:*

But, this is your opportunity to have done something about it, sir.

*Nussle:*

We do.

*Conrad:*

You do?

*Nussle:*

Sure.

*Conrad:*

You've increased it.

*Nussle:*

No sir.

*Conrad:*

The debt last year -- how much did the debt go up last year?

*Nussle:*

The President holds discretionary spending at near a freeze, number one.

*Conrad:*

That doesn't talk about the debt, sir. The debt, how much did the debt go up last year?

*Nussle:*

Well, I'm willing to consider proposals that will decrease discretionary spending and for that matter save much more money –

*Conrad:*

Well, that's good. Now you are working with one-sixth of the budget – one-sixth. And what I am talking about is the final result. You want to focus on a side show.

*Nussle:*

No -

*Conrad:*

I want to focus on the result. The result is that the debt has done nothing under this President's watch, but skyrocket. And the budget you bring before us today, sir, says let's increase it some more, and you say it is not sustainable.

*Nussle:*

Then let's open up mandatory spending –

*Conrad:*

Let's open up, sir, everything because you can't just do it on one-sixth of the budget. You have to deal with all of it. You have to deal with the spending side, you have to deal with the revenue side. And, what you all have done – you had your opportunity. This was the time to come forward with a plan, and your plan just explodes debt.

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*Closing Statement:*

I just want to tell you that some have said this budget is dead on arrival. I have never applied those terms to a President's budget, but I was thinking what does this represent in three words? And, with the President leaving, I think this represents debt on departure. He is leaving a debt bomb on the steps of the next President. And the next President is going to inherit the worst fiscal mess that I have seen in my 21 years here.

And when I look back historically, other than the time right after World War II, if you look at debt as a share of our economy, it will be at its highest level after this presidency in 50 years. So this President has it going in precisely the wrong direction.