Transcript of Floor Statement by Senator Kent Conrad (D-ND)
Commenting on President Bush's "Stimulus" Plan
January 15, 2003

I rise today to talk about what the President has proposed in terms of an economic stimulus package, or, as he now terms it, an economic growth package, because I think it is one of the key issues facing us and our country in the days ahead. As the Chairman of the Budget Committee – at least until the new organizing resolution, at which time I'll be the ranking member of the Budget Committee – I think I have some special obligation to my colleagues to review what the President has proposed and to give my take on it.

I, along with my staff, have now given a detailed review to what the President proposes. And I have concluded that the President's proposal is, number one, ineffective with respect to giving stimulus to the economy; number two, unfair in terms of its application; and, number three, I believe it's not responsible, because it will add almost $1 trillion to our national debt when we are already back into serious deficits, adding to the national debt right on the eve of the retirement of the baby-boom generation. I don't believe this is a growth package. Indeed, I think it will inhibit growth, because I believe it will put upward pressure on interest rates. And when the economy does resume stronger growth, higher interest rates will tend to choke off that stronger growth.

I started by saying I think the President's plan is ineffective with respect to stimulus. I said that because if one looks at the total cost of his plan, which we estimate at over $900 billion, not the $600 billion that's been advertised, but over $900 billion when the associated interest cost is included. Because obviously, if you spend money or you reduce taxes, the interest cost to the Federal government goes up because you're adding to the debt. We're in debt now. We're paying interest on that debt. If you add to the debt, you add costs.

It's stunning to me that only $36 billion of this $900 billion cost in the President's plan is for this year. This year is the time we have economic weakness. This year is the time our economy needs to be stimulated. And yet, only about 5 percent of the President's package – in fact, less than 5 percent – is for this year. That makes no earthly sense to me. If the rationale is the economy is weak and needs a boost, why would you only use 5 percent of the cost of your package for stimulus now?

Last year on a bipartisan basis, Democrats and Republicans on the Budget Committee in both the House and the Senate agreed on a set of principles to apply to a stimulus package. We agreed that it ought to be effective immediately, that most of the money should flow in the first six months, and that it should have very little out-year effect to avoid adding to the deficit and debt. The President's proposal stands those principles on their head.

When the President's plan was first brought out, they said it was going to give over $100 billion of lift to the economy this year. Then they changed that and said, well, it would only be $58 billion. Now we have had a chance to do a detailed analysis of the President's proposal and we find it's not $108 billion, it's not $58 billion. The lift to the economy this year is $36 billion.

Now, the President might argue, well, Senator, it should be a little bit more than that because of the unemployment insurance legislation we've already passed. That's about $3 billion. So if you want to add that, fine. That would take us to $39 billion. It doesn't change the point at all. Less than 5 percent of the cost of the President's plan is available this year. So it's ineffective in terms of stimulus.

Second, it's not fair. It's not fair in its application, it's not fair in its distribution. This chart shows the various quintiles. That is, equal chunks of the earners in the United States – divides them up into equal sections. One-fifth of American taxpayers in each of these categories. And what we see is the top 20 percent earn more than $68,000 a year. But under the President's plan, they get 78 percent of the benefit. This is what the other folks get. And it's fascinating. The bottom 60 percent get less than 8 percent of the benefit. The top 20 percent get 78 percent of the benefit. The bottom 60 percent get less than 8 percent of the benefit. It's not fair.

In fact, the unfairness of this plan becomes even more clear when you look at other distributions. This shows the benefits of the plan to those people in our society who earn over $1 million a year. Under the President's plan, they would get a tax reduction of $88,873. Now, these are not Kent Conrad's numbers. This is the Center on Tax Policy. This is their analysis of the President's plan. Interestingly enough, the typical taxpayer, that 20 percent of taxpayers who are right in the middle in our country, they get an average benefit of $265. The President said this is fair. That's an interesting notion of fairness. I don't think it's fair. I don't think it's close to being fair. To give to those who earn over $1 million a year, $88,000 of benefit, and to those who are right in the middle of the income stream in our society, $265. And the President says that's fair? That is a mighty curious sense of fairness.

Mr. President and colleagues, ineffective? I think it's clear. Only 5 percent of the stimulus is available this year, the time when our economy needs a lift. Unfair? I think it's abundantly clear it's not fair. But even more serious, I believe is the reckless nature of this proposal. How is it paid for? That's a question too little asked around here. How is it paid for? Well, here's the reality. Every penny of this proposal is being paid for out of the Social Security trust fund. The President says class warfare when anybody questions the fairness of his plan. I think the President is engaged in class warfare. To take $900 billion out of the Social Security trust fund to pay for a tax program that is overwhelmingly skewed to the wealthiest among us? That's wrong. And it cannot stand and it should not be passed.

Not only does every penny of it come out of the Social Security trust fund, but it is going to dramatically increase the debt of our country. You'll remember in 2001, the President told us under his plan, the debt of the country by 2008 would only be $36 billion. He was going to have maximum paydown of the debt. Well, events have proved quite otherwise. Instead of being virtually debt-free, the President's policies are exploding the debt. We're not reducing the debt, we're increasing the debt if we adopt the President's plan. And the debt will stand at $4.7 trillion. Nearly a $900 billion increase if the President's plan is adopted.

I think we've got to consider this in light of our overall circumstances. This chart shows surpluses and deficits without using Social Security funds for other purposes, something virtually every member of this body has pledged not to do. The President pledged not to do it. And yet what we see is that we are headed for a path – and are now there – of using Social Security to pay for tax cuts, using Social Security funds to pay for the other costs of government. And if we look back over an extended period, back to 1992, look ahead to 2012. Back in the 1990's, we were able to make progress to stop using Social Security for other purposes. We achieved it in two years, didn't use any Social Security money for other purposes for two years in the Clinton administration. And now you can see, we have plunged back into deficit and in a very dramatic and substantial way.

The deficit this year is going to be in the hundreds of billions of dollars. And if Social Security were not used, we would be approaching $500 billion of deficit this year. Looking ahead, this top line shows what is the current circumstance we face. And you can see, we face deficit without using Social Security virtually the whole rest of this decade. If the President's additional tax-cut plans are adopted, we will not escape from deficit the entire rest of this decade. Instead, we will be running massive, massive deficits each and every year all of this decade.

Now, some say, "Well, Senator, we've run big deficits before. We did in the 1980's, and we were able to escape from it." That's true. The difference now – and I hope colleagues are listening, because there is a big difference now – the difference is, the baby-boom generation, they are poised to retire. And this is not a matter of projection. It's not a matter of conjecture. It's a matter of fact. The baby boomers are alive. They're going to be eligible for Social Security and Medicare. They are going to begin to retire at the end of this decade, and it is going to change everything.

Senator Durbin:

Will the Senator yield for a question?

Senator Conrad:

I would be happy to yield.

Senator Durbin:

On the question of the continuing deficits and projections, I recall one of the President's economic advisors suggesting that a war in Iraq might cost us $100 billion and then kind of open-ended what it would cost us to continue to occupy that nation and keep it under control for some period of time. When we project out the deficits, which you said we can see on the horizon based on the President's tax cuts and the current state of the economy, does it anticipate that kind of emergency situation where we would be involved in a war in Iraq – a long-term occupation?

Senator Conrad:

I'm glad you asked the question, because there is no money in these projections, no additional money for a war with Iraq. This only anticipates the President's proposals on spending and taxes that he has already made. So it does include the defense buildup that is underway, but it does not cover the additional cost of a war. Those numbers would add to the deficit and debt that I've outlined here. And I might say to my colleague, it is true the President's chief economic advisor said it could cost $100 billion, perhaps as much as $200 billion. In fact, if we were engaged in a five-year occupation, the Congressional Budget Office has told us that the costs would be in the range of $250 billion. None of those numbers are in these projections.

Senator Durbin:

One last question. I know the Senator wants to complete his presentation. So we can be certain that the baby boomers are going to arrive in need of Social Security and Medicare. That's coming. But we have this uncertainty when it comes to war and its cost, which could dramatically increase the deficit, money taken out of the Social Security trust fund, just as the baby-boom generation comes of age and expects that their benefits will be paid?

Senator Conrad:

I don't know how to say this in a way that will catch the attention of my colleagues and catch the attention of the American people. We are headed for a train wreck of enormous proportion. We are headed for a circumstance in which the head of the Congressional Budget Office said we are headed for either unsustainable debt, an unprecedented tax increase to 30 percent of gross domestic product. That would be a 50 percent tax increase from where we are now. Or the elimination of the rest of government as we know it. That's not a Democrat speaking. That is the head of the Congressional Budget Office, who was nominated and put in place by our Republican colleagues. He's telling the truth. The Comptroller General of the United States has given us the same warning. We are headed for a cliff as a nation, as a country.

And let me show you what that cliff is. This shows the Social Security trust funds face a cash deficit as the baby boomers retire. But the words don't capture what's really going to happen. Cash deficit – that sounds like a pretty cold and impersonal and not very meaningful couple of words. But here's what's going to happen. Here's where we are now. The trust fund is running surpluses. But in 2017, those surpluses turn to deficits. It's this money that's being used now to pay for these tax cuts, to pay for the defense buildup. But look what's about to happen. That trust fund in 2017, as the baby boomers retire, is going to go cash negative, and it's going to go cash negative in a huge way. It is going to achieve negative annual cash flows of over $1 trillion a year. Is anybody listening? Is anybody paying attention to where we're headed?

And the President says, dig the hole deeper, more tax cuts. Tax cuts that cost hundreds of billions of dollars this decade, but cost trillions of dollars at the very time this is happening, at the very time the trust funds go cash negative. He's saying, cut the revenue more. Even in the face of increased spending for defense and homeland security. Even in the face of an attack on this country. Even in the face of the prospect of war with Iraq. Even in the face of a crisis with North Korea. It's not responsible. It doesn't add up. It's reckless. And it should not go forward.

And it's not just the Social Security trust fund. Here's the Medicare trust fund. Exactly the same pattern. We're running surpluses now, smaller than the surpluses in Social Security.

But look at what's going to happen. In 2016, we're going to see the baby boomers retire, the costs mount geometrically. And the annual deficits approach $1 trillion in Medicare alone. Is anybody
paying attention? Is anybody thinking about where we're headed? Is anybody thinking about what this will mean to a future Congress and a future administration?

Economic growth? Absolutely. Stimulus package? Yes. We ought to take steps to strengthen the economy now. That makes sense. But we've got to be very careful about the long-term effects of what we do, because we're headed for a cliff.

Mr. President, let me just conclude by saying, there are other packages, stimulus packages out there that provide much more stimulus this year – the Baucus package, the Pelosi package – in comparison to the Bush package, but much lower costs over the ten years.

If I could just conclude by saying, I hope our colleagues will think carefully about the consequences of what we do here.

Senator Durbin:

Thank you. If there's no one else on the floor, I'd like to claim that time. And before Senator Conrad leaves, thank you for this presentation. And I hope that those who are following this debate will reflect for a moment on what Senator Conrad has brought to us this morning.

He is the Democratic ranking member of the Senate Budget Committee. I am very proud of the work that he does and the American people I think should be grateful for the time that he spends analyzing these tough issues. And I know at times it must be a lonely assignment because in this revelry that we have about the President's tax cut, the President's so-called stimulus package, few people are really reflecting on the overall impact of this package on our economy. What Senator Conrad has told us this morning I think is very graphic because he's pointed out the fact that the President's package is fundamentally unfair.