Floor Statement by Senator Kent Conrad (D-ND) on Deteriorating Budget and Fiscal Outlook Under President Bush's Policies
March 20, 2003

Mr. CONRAD. I believe it is profoundly wrong--profoundly wrong--to run up these budget deficits. Unfortunately, the budget that the President of the United States sent to us and the budget that has come out of the committee will dramatically increase our budget deficits.

As the Senator has indicated, we are going to have a deficit, if the President's budget is adopted, of over $500 billion this year and will never have a budget deficit below $400 billion any year for the rest of this decade under the budget the President sent us. Under the budget that has come out of the committee, we will never have a deficit under $300 billion.

On this chart is the President's budget. One can see we have red ink as far as the eye can see, over $500 billion this year, over $400 billion in every year for the rest of this decade.

Here is what happens to the gross Federal debt. The gross Federal debt is going to go from $6 trillion, in 2002, and is going to reach $12 trillion by the end of this budget period. That is the consequence of the President's budget.

What I think should sober us all is that the cost of the President's tax cuts explodes at exactly the time the cost to the Federal Government of the retirement of the baby boom generation explodes--deficits and debt.

These are not my projections. These are official reports of the Congressional Budget Office and the President's own budget documents.

Here is the President's own budget document as shown right here. This is the long-term outlook if the President's policies are adopted. It shows that we are in the sweet spot now. This is where we are now. And although these are record deficits, the biggest in dollar terms we have ever had, if we adopt his policies, it is going to get much worse because, as I indicated, the cost of his tax cuts explodes at the very time the cost of the retirement of the baby boom generation explodes.

That is not a projection. We know baby boomers have been born. They are alive today. They are eligible for Social Security and Medicare. There are going to be 77 million of them--about double the number we have eligible today. That is what we face as a consequence of this budget. I think it will be a significant mistake.

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Mr. CONRAD. Mr. President, in these moments while we are asking colleagues to come to the floor to offer their amendments--and I understand a Senator is on his way to the floor--I also understand we may be turning to the resolution on Iraq at 2. Instead of having this time wasted, I thought I would review, from my perspective, what has happened to our budget condition over the last several years, where we are headed, and why it alarms me so much.

My colleagues will recall that 2 years ago we were told there were going to be $5.6 trillion of surpluses over the next decade. It was in that context that President Bush sent Congress a budget that had a $1.7 trillion or $1.8 trillion tax cut. He said at the time that he would only be taking 1 of every 4 surplus dollars for tax reduction, and he said he would still be able to fund a strong buildup for national defense, that he would be able to fund the priorities of education and health care, that he would be able to have a maximum paydown of the national debt, in fact he would be able to virtually eliminate the national debt, and that he would also be able to protect the trust funds of Social Security and Medicare.

Unfortunately, that proved to be overly optimistic. Many warned at that time that it was unwise to be betting on a 10-year forecast, that you cannot count on a 10-year forecast. You cannot bet the ranch on the revenue coming in as anticipated.

We all know what has happened. With the tax cut implemented at the time, with the economic slowdown, with the attack on America, with the additional tax cuts proposed by the President because now he has proposed an additional $1.6 trillion of tax cuts, and with the associated interest costs, the total cost of those tax cuts would be $1.96 trillion. When that is put together, we are back in the deficit ditch and by over $2 trillion.

Where did the money go? Over this period, most of it went to the tax cuts, both those that had been implemented and those proposed. The second biggest chunk of the money, 27 percent, went to additional spending as a result of the attack on the country. Virtually all of this has increased defense spending and additional homeland security spending. The next biggest chunk is revenue coming in below expectations not related to the tax cut--in other words, the total revenue below what we would have had without the tax cuts and without the overestimations of revenue.

The revenue change is 64 percent, but only about two-thirds of that is from the tax cut. The other is from the models not predicting accurately what revenue would be raised for various levels of economic activity. The smallest sliver, the smallest part, is the economic downturn.

Most alarming is the long-term outlook. The long-term outlook, according to the President's own analysis, from his analytical perspectives, page 43 of his budget document, shows what happens if we implement the President's proposals for spending and tax cuts.

What one sees should alarm everyone. It shows these are the good times with respect to deficits. The deficits we are running now are record amounts. We have never had a budget deficit over $290 billion, even including Social Security, not over $370 billion. This year we will have a budget deficit of over $500 billion.

This chart shows--and again it is from the President's own analysis--the situation will get much worse as the baby boom generation starts to retire because they will put pressure, of course, on Medicare and Social Security, programs for which they are eligible, programs on which they are counting, and we are going to have over 75 million people who are in that baby boom generation. That will double the number of people eligible for those programs.

Look what happens then. If we adopt the President's policy, his tax cuts, and his spending policy, when the baby boom generation retires, according to the President's own documents, the deficits absolutely explode.

Is this a course we should be on? I don't think so. This is a course for deficits and debt that is utterly unsustainable. This is a course that I believe, and I predict today, will lead to dramatic cuts in Medicare, in Social Security, and in virtually every other part of the Government.

I am the first to acknowledge there are items in the Government we should cut. There is waste in Government, there is fraud in Government, there is abuse in Government, no question about that. But we have been hunting waste, fraud, and abuse a long time, and we will need to continue that, and we will need to do a much better job of it because where we are headed is totally unsustainable.

If anyone doubts this will lead to massive cuts in Medicare and Social Security, look at the House budget resolution. It proposes $470 billion of cuts in mandatory programs. That is Medicare and that is Medicaid. It proposes another over $200 billion of cuts in domestic discretionary programs that are not defense related.

The course we are on is a disaster for this country, of mounting deficit, of mounting debt, right before the baby boom generation retires. And this is the sweet spot because right now the trust funds, especially the Social Security trust fund, are generating billions of dollars. This year alone there are $160 billion of surplus and we are taking every dime of it under the President's proposal and using it to pay for tax cuts and other expenses of Government.

Some people say that does not matter; the trust fund is still whole because it is being credited with the amount of money coming in. It is true, the trust fund is being credited. It is also true that the only way those pledges, those IOUs are going to be paid back, is if we have sufficient resources to do so at the time those bonds come due. That depends on the size of the economy. That depends on the strength of the economy. That depends on the economic growth we experience between now and then. This is something upon which many agree. That is a fundamental truth that our ability to redeem those obligations depends on the size of the economy, depends on how good a job we have done growing the economy in the interval.

That goes to the question, How do we best secure economic growth? This is where we have a profound difference. Many on our side believe it is best done by providing a stimulus to the economy now, and the stimulus can be either tax cuts or additional spending. Either one of them provides stimulus. There are many economic models that suggest spending is actually somewhat superior to a tax cut because all of the spending dollars go into the economy. When you do a tax cut, some of the dollars go into the economy but some are saved.

To the extent they are saved, that does not provide immediate stimulus.

Our friends on the other side believe the most effective way is tax cuts, that tax cuts will encourage greater economic activity. I say to them, on a factual basis, it is clear spending and tax cuts, either one, stimulate the economy.

All of that has to be in a context. The context is, What is the long-term balance of revenues and expenditures? When you have an imbalance, when you are spending more than you are taking in, you run deficits. Deficits over time have a negative effect on the economy. Why? Because when you run budget deficits, the Federal Government has to borrow money. When the Federal Government borrows money, it is in competition with the private sector for borrowing money and that puts upward pressure on interest rates, especially at a time of economic growth.

We have looked at what the President calls a growth package. Not only have we looked at it but economists we respect have looked at it and they have concluded, and many of us have concluded, it does not promote growth. It will actually inhibit growth. Why? Because the tax cuts are not paid for. They are not paid for by spending reductions under the President's plan. They are paid for by borrowing the money. That means increasing the deficit, increasing the debt.

It is the dead weight of those deficits and debt that are harmful to economic growth. I say harmful, because to the extent you run budget deficits, that reduces the pool of societal savings, that reduces the pool of money available for investment, and you have to have investment to grow.

Many believe the President's plan is not a plan of economic growth, that it is a plan that will hurt economic growth because it will explode deficits and debt. That is not the only problem with the President's plan. It will force choices in the future that will require deep cuts in Medicare, in Social Security, in funding for education, in funding for law enforcement because there is no other possible outcome when, if you adopt the President's plan, you run deficits of this magnitude.

This is not Kent Conrad's chart or the Democrats' chart; this is the President's chart.

What he says is: If you adopt my policies, you never escape from deficit. And the deficits, once we get past this period when the trust funds of Social Security and Medicare are producing surpluses and those trust funds turn cash negative, which will happen in the next decade, the deficits will explode. The debt will explode and a future Congress and a future President will then face truly difficult choices.

I thank my colleagues for their patience in listening to this. I yield the floor.