Transcript of Floor Statement by Senator Kent Conrad (D-ND)
in Support of Tax Bill Amendment to Repeal the 1993 Social Security Tax Increase
May 14, 2003

This is a good amendment. This is reversing a tax increase previously imposed on recipients of Social Security. And that was part of a deficit-reduction plan back in the 1990's that helped get us back on track. We did that. Now in the context of this bill, since there are clearly going to be tax reductions, we ought to do it in a way that's fair and balanced and that recognizes a tax increase previously imposed that could be reversed at this moment.

My colleague mentioned what's happening to the federal debt under the President's budget plan. Here it is in graphic form. The debt of the United States is absolutely skyrocketing. It is over $6 trillion now. It's going to be over $12 trillion in ten years if the President's plan is adopted, including the overall tax bill before us.

And all of this at the worst possible time, the worst possible time, because right now the trust funds of Social Security and Medicare are running surpluses. The blue bar is the Medicare trust fund; the green bar is the Social Security trust fund; the red bars are the tax cuts, both those already enacted and those proposed. And you can see when the trust funds that are now running big surpluses turn cash-negative in the next decade, at that very time, the cost of the tax cuts proposed by the President explode, driving us deep into deficit and deep into debt, right as the baby-boom generation retires, right as we are least able to have additional deficits.

In fact, you don't have to take my word for it or the Congressional Budget Office's word for it. This is the President's own analysis of the long-term effects of his plan. Some have said these deficits are small. Well, the deficits currently, although they're record levels, the biggest -- we're going to have the biggest deficit this year we've ever had in our history. That's right here. But look where we're headed according to the President's own analysis. This is from his budget document. And it shows the deficits now are small compared to what they will be even though they're at record levels now. Biggest deficits we have ever had, and they're tiny compared to what's to come if we adopt the President's plan, because the costs of the retirement of the baby-boom generation explode at the very time the cost of the President's tax bill explodes.

Now, some on the other side are saying, look, if you cut taxes, you're going to get more revenue. Well, let's do a reality test. They said that two years ago. This was the range of possible outcomes looking forward that was given to us two years ago by the Congressional Budget Office. They adopted the midpoint of this range – that was what told them we were going to have nearly $6 trillion of surpluses over the next decade. Republicans said, oh, wait a minute, that's too conservative. If you cut taxes, as we did two years ago, you'll get much more revenue. And they're making the same claim now. If we cut taxes again, we'll get more revenue.

Well, let's look back at history. Let's look at the record. And what it shows us is, here's what's actually happened. Here's what the projections were. Here was the midpoint of those projections that said there was going to be nearly $6 trillion of surpluses. This red line is what's actually happened. We didn't get more revenue. We didn't get more surpluses. We got less revenue and no surpluses. Instead, we got deficits. Massive deficits. Record deficits. And now we get the same old song. Let's just do another big round of tax cuts. We'll get more revenue. Well it didn't work last time. It didn't come close to working.

And in fact, we just got the latest numbers from the Treasury Department. Revenue this year is running $100 billion below the forecast made just seven months ago. And they said, based on the tax cuts of two years ago, we would get more revenue. Well, we are not getting more revenue. In fact, if this trend continues this year, we'll have the lowest revenue as a percentage of our gross domestic product since 1959.

All those who claimed they're going to get more revenue, they were wrong. The President was wrong. Our Republican colleagues who told us we were going to get more revenue with a big tax cut enacted two years ago, they were wrong. And they weren't wrong just by a little bit. They were wrong by a lot.

That's why some of the most distinguished economists in the country are telling us that this tax cut plan is not going to do the job. This is a statement signed by economists, ten of them are Nobel Laureates in Economics. The most distinguished economists America has produced. And here's what they say, "The tax cut plan proposed by the President is not the answer to these problems of weak economic growth. Regardless of how one views the specifics, there is wide agreement that its purpose is a permanent change in the tax structure and not the creation of jobs and growth in the near-term. The permanent dividend tax cut in particular is not credible as a short-term stimulus. As tax reform, the dividend tax cut is misdirected in that it targets individuals rather than corporations, is overly complex and it could be but is not part of a revenue-neutral tax reform effort. Passing these tax cuts will worsen the long-term budget outlook, adding to the nation's projected chronic deficits." They conclude, "to be effective, a stimulus plan should rely on immediate but temporary spend and tax measures to expand demand and it should also rely on immediate but temporary incentives for investment."

Well, it's not just ten Nobel Laureates. This morning a distinguished Republican economist was quoted in the Washington Post reacting to a plan to phase-in and sunset the President's dividend proposal. Here's what he wrote in a website editorial, "Administration sources admit that dividends will likely decline relative to today under this plan between now and 2005." Dividends are going to decline. "How can that be a harmless event given that increases in dividend payments are viewed to be so wonderful?" This distinguished Republican economist, that they've called to testify before committees of Congress repeatedly, concluded, "Clearly, this proposal is one of the most patently absurd tax policies ever proposed." This from a Republican economist that they've called repeatedly before committees to testify on economic proposals.

It's not just ten Nobel Laureates, it's not just a distinguished Republican economist. It's even the people that they've hired to do the analysis of their plan. Macroeconomic Advisors, hired by the White House, hired by the Congressional Budget Office to do macroeconomic forecasting, you know what they say? The President's plan will give you a little boost, less than half of one percent of additional GDP until 2004, and then look. Straight down.

That's what this policy provides. It hurts economic growth. In fact, past 2004, it's worse than doing nothing. Well, that's a great economic growth plan. That's a great jobs plan. It's worse than doing nothing according to the people they've hired to give them advice on what the results will be.

Well, it's not just those Nobel Laureates. It's not just a distinguished Republican economist. It's not even just the firm that the Congressional Budget Office and the White House have hired to do macroeconomic analysis. Here's the Chairman of the Federal Reserve Board, "Greenspan says tax cut without spending reductions could be damaging." He's saying, "With a large deficit you will be significantly undercutting the benefit that would be achieved from the tax cuts."

The President of the United States is not proposing cutting spending. He's proposing increasing spending and he's proposing massive tax cuts when we've already got record deficits. There can only be one result. Massive deficits, massive debt that will hurt economic growth, that will hurt the economic security of the country. And finally, on an amendment that involves Social Security, that will take virtually every penny of Social Security surplus over the next decade to pay for these tax cuts. What a profoundly mistaken policy.