

**Floor Statement by Senator Kent Conrad (D-ND) on Restoring Fiscal Discipline Act
January 4, 2007**

On this very first day of the first session of the 110th Congress, I am proud to introduce, with Majority Leader Reid, the Restoring Fiscal Discipline Act of 2007. By including this act in our top 10 legislative priorities, Democrats are sending a message. We are saying to the Nation that it is time to restore fiscal discipline in Washington.

Unfortunately, we are inheriting a fiscal mess. It is a fiscal mess of historic proportion. The head of the Government Accountability Office, General Walker, has told us: "The U.S. Government is on an imprudent and unsustainable fiscal path." General Walker is right. General Walker is the head of the Government Accountability Office. He is the person responsible for reporting to Congress on our fiscal condition, and he is warning us of the serious course correction that is required.

As General Walker has said, and as I agree, the fact is that our budget outlook is far worse than what has been claimed. The increase in debt in 2006 is far greater than the reported deficit. It is very interesting how the media reports these things to the American people. They say to the American people that the deficit last year was \$248 billion. That is true. What they do not tell the American people, what is not said, is the debt last year increased by \$546 billion -- almost \$300 billion more than the stated deficit. This is an utterly unsustainable course. To add almost \$550 billion of debt in 1 year after having done about that amount each of the last 5 years has put us on a course that is utterly unsustainable. It fundamentally threatens America's economic security.

Read the reports. Yesterday and today in the national newspapers you saw stories about the declining value of the dollar. The dollar has been in a deep slide for 3 months. There are reports of countries, one after another, announcing that they intend to diversify their investments out of dollar-denominated securities. There is a message here to all of us -- a warning, a warning of America's preeminent position in the financial world being threatened. It is being threatened by a mountain of debt.

I have tried to put into visual terms how dramatically the change in debt has been in just the last few years. When this President came to office, after his last full year, the debt stood at \$5.8 trillion. We do not hold him responsible for his first year because obviously he was operating under the budget of the previous administration. But look what has happened since. The debt has skyrocketed to \$8.5 trillion. If the President's course is pursued, over the next 5 years the debt will rise inexorably to \$11.6 trillion, and all of this at the worst possible time, before the baby boom generation retires. This is a time we should be paying down debt, not exploding debt. There is no sober or objective observer who does not recognize the fundamental threat to our economic security caused by these budget policies. We must change course.

The result of this rising debt is that increasingly we are borrowing the funds to float this boat from abroad. In 2005, our country borrowed 65 percent of all the money that was borrowed in the world by countries. Let me repeat that. In 2005, our Nation borrowed 65 percent of all the

money that was borrowed by countries in the world. The second biggest borrower was Spain. They borrowed one-tenth as much.

As we look back, this is a historic time with great challenges. The question before this body and the Congress of the United States and this President will be whether we are honest with the American people about the extent of our financial problems. This is a moment of testing. Will we be honest? Will we be truthful? Will we make the tough choices that are required?

In the last 5 years, foreign holdings of our debt have doubled. In other words, it took 42 Presidents 224 years to run up \$1 trillion of U.S. debt held abroad. That amount has more than doubled in just the last 5 years. This is a course that cannot be sustained. It must be changed.

I come to the floor today to offer an important measure, a measure to restore fiscal discipline, by reimposing the pay-go rule that was so effective in the 1990s at helping us get back on track after the record deficits of the 1980s.

We know that pay-go works. It was instrumental in our turning deficits into surpluses in the 1990s. The pay-go rule says simply this: If you want more tax cuts you have to pay for them. If you want new mandatory spending you have to pay for it. If you do not pay for it, you have to muster a supermajority vote on the floor of the Senate for more tax cuts or new mandatory spending to go forward.

That is a good rule, but it will not solve the problem. No one should overpromise. No one should overstate. It is going to take serious, consistent discipline on spending, on revenue, and on entitlement reform for us to truly make progress.

In the joint caucus this morning, the leadership called on all of us to set aside partisanship to make genuine progress. This is going to be an area in which we have that opportunity. We have a window of opportunity, before we get into the next election cycle, to face up to these fiscal challenges. One part of a successful strategy is to reimpose the pay-go discipline. It is not the only thing, but it is a beginning.

In addition to reestablishing the pay-go rule, the legislation I am offering today prohibits the use of the fast-track reconciliation process for any legislation that would add to the deficit. Reconciliation is a big word; it is a fancy word. It confuses people, but it is a special process in the Senate to go around the standard rules of this body to pass legislation. It circumscribes Senators' rights. It restricts their ability to offer amendments. It sets a strict time limit on debate. The only reason those procedures were ever adopted in this body -- the only reason -- was to reduce budget deficits. Unfortunately, over the last 6 years those special procedures have been used to increase deficits, not to reduce deficits. That stood the whole rationale for reconciliation on its head.

It is time for us to go back to the reconciliation process that was intended and only use those extraordinary procedures for reducing deficits, not for increasing them.

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I offer this measure today to restore fiscal discipline. I ask my colleagues to bring their ideas to the Senate floor. You have my commitment as the incoming chairman of the Senate Budget Committee to do my level best to bring our country back. Our country needs us now. Our country needs us to be truthful and honest and to work together.

I felt, in the Senate Chamber this morning, a new spirit, a new sense of possibility -- perhaps the chance that we can come together in a way that would make us all proud. I very much hope we seize that opportunity. I look forward to working with my colleagues to achieve that result.