

**Transcript of Remarks by Senate Budget Committee Chairman  
Kent Conrad (D-ND) at Hearing on Economic Stimulus  
January 30, 2008**

I want to thank our witnesses for being here today. It turns out this hearing is very timely because the Finance Committee is going to mark-up the stimulus package this afternoon. So, largely through serendipity, it proves to have been held at precisely the right time. Let me just try to put a frame on this morning's hearing and then go to Senator Gregg for his observations and then turn to our witnesses.

We see that economic growth is expected to slow sharply in 2008. In fact, we've just received the news that gross domestic product grew at an annual rate of only six-tenths of one percent in the final quarter of last year. Over the course of 2007, GDP grew two-and-a-half percent, down slightly from 2.6 percent in 2006. We see CBO is telling us they anticipate growth in 2008 at one-and-a-half percent.

We all know that the subprime mortgage crisis, as some have described it, has been at the heart of our economic slowdown. It has obviously spread from the subprime area to other areas of credit. We see new homebuilding falling dramatically through 2006, and continuing into 2007. I had a delegation of homebuilders come to see me yesterday telling me that they see their industry, not in a recession, but in a depression, as they describe it.

In the midst of all of this, we also have soaring energy costs effecting people when they go to gas up at the pump, effecting them when they pay their utility bills – I certainly noticed it on my utility bills this last month. Energy costs – with the real price of oil soaring – oil at one point at \$100 a barrel.

All of this is affecting consumer confidence. We see a continuation of a decline in consumer confidence, quite a sharp reduction in consumer confidence through the summer months of last year, continuing into this year.

Unemployment has jumped. In December of 2006, the unemployment rate was 4.4 percent. In December of 2007, it had jumped to five percent.

The result of this is the Federal Reserve has, as we all know, took emergency action between meetings to lower interest rates, the overnight federal funds rate, by three-quarters of one percent. After a series of interest rate increases, we see them moving in the opposite direction, with another meeting this week.

The Chairman of the Federal Reserve has called for an explicitly temporary stimulus measure. [Chairman Bernanke] said, and I quote: "...[A]ny program should be explicitly temporary, both to avoid unwanted stimulus beyond the near-term horizon and, importantly, to preclude an increase in the federal government's structural budget deficit."

Let's go to the next slide, which is also a quote from the Chairman of the Federal Reserve. He said in January of this year before the House Budget Committee: "...[T]here is good evidence that cash that goes to low- and moderate-income people is more likely to be spent in the near term...."

Getting money to people quickly is good, and getting money to low and moderate- income people is good, in the sense of getting bang for buck.”

Let’s go the final slide that compares the House package and the Senate package. We know in terms of rebate that more people would be eligible for the Senate rebate. There is no income limit. Seniors are eligible.

On the business side, the significant difference is the Senate package provides for net operating loss carrybacks. And, on unemployment insurance, while the House does not have a provision, the Senate does. And in terms of cost, the Senate package obviously costs somewhat more – \$161 billion in 2008, compared to \$146 billion for the House package. Over two years, the Senate package costs \$196 billion compared to \$161 billion on the House side.

I am delighted we are having this hearing with such distinguished witnesses today so that we can discuss the views of the Members and the views of the witnesses with respect to what a stimulus package might include and how we might think about those issues.

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I must say when we have identified all along the three T’s as to what we should be doing with the stimulus package – targeted, timely and temporary – to start taking the income cap off and sending thousand dollar checks to Bill Gates and Barry Bonds and Donald Trump and Members of Congress. I think we have really lost our way. That just cannot be the answer here.