Floor Statement by Senate Budget Committee Chairman Kent Conrad (D-ND) on Economic Recovery Bill February 6, 2009

I thank the chairman for his extraordinary effort and the effort of the chairman of the Appropriations Committee.

Maybe now is the time we need to have calm reflection on where we are and where we are headed. All of us know this economy is in desperately serious trouble. We had a report this morning. Nearly 600,000 jobs were lost in the previous month. That means in the last 4 months we have lost more than 2 million jobs. All indications are that we will lose millions more jobs in this economy.

What must be done? Clearly, we need an economic recovery package. There would be virtually unanimous agreement on that fundamental point.

What works? Allen Sinai of Decision Economics ran models with his well-regarded econometric model that showed the things that work the best. The fastest is government purchases of goods and services. The second thing that worked the best was transfer payments to States because States are otherwise going to cut their budgets.

Why do those things work the best? Because they inject money into the economy the most rapidly and in a way that there is the greatest assurance that the money is spent. That is what is the key to a short-term stimulus.

Why? Because if we think about it, demand in the economy is falling. That is why GDP is dropping. That is why joblessness is increasing.

What do we do about it? We can't expect consumers to change course because they are worried about losing their jobs. We can't expect corporations to increase demand because their orders are falling. The only place to look for an increase in aggregate demand is to the Federal Government.

That then raises the question: What is the most effective way for the Federal Government to deploy its precious taxpayer dollars to give short-term lift to the economy but not to burden us with increased debt looking ahead? That is why the first tests that were applied to this package were that it be timely -- that is, that it go into effect quickly -- that it be targeted on things that have the most bang for the buck, and that it be temporary so it does not create a bow wave going forward that increases deficits and debt when the economy, we hope, will be in recovery.

With that said, we also need to remember the lessons of the past. In the Great Depression, Roosevelt took action in the 1930s to provide stimulus to the economy. Unemployment was at 25 percent. By 1937, unemployment was down to 12 percent. The stimulus was working. Then they tried to balance the budget in 1937, and unemployment went back up to 19 percent.

So we have to be very careful about when we pivot and move back to reducing the deficit and the debt. There is nobody, I think, who is more acutely aware of how important it is we address those long-term fiscal issues than I am. I think anybody who has followed my career for 22 years here would know I am very concerned about long-term debt.

Let's analyze this package. This package -- now approximately $925 billion -- 79.3 percent of it spends out in the first 2 years. Now, that is before we added a few things on the floor. So the numbers might change a little bit, but that is roughly right: about 80 percent in the first 2 years. That means 20 percent is not in the first 2 years.

So I submit to my colleagues, the first kind of test, the first kind of screen we should apply is that one. But that is not dispositive because there are certain investments we are going to make that have long-term payoffs for the American people, such as computerizing the health records of the American people, such as -- and I would put this at the top of the list -- improving the electrical grid for America.

Let me say it is critically important we take action. It has to be on a rational basis. It has to have criteria that apply to this package, that will stand the light of day. But at the end of the day, we must act.