

**Transcript of Opening Floor Statement by Senator Kent Conrad (D-ND)
on GOP Budget Conference Report
April 28, 2005**

Mr. CONRAD. I rise in strong opposition to this budget. I believe it is a profound mistake for this country to stack additional debt upon already record levels of debt that I believe puts the long-term economic security of our country at risk.

The record is very clear. We now face record budget deficits, and we face them for as far as the eye can see. Those who have assured us repeatedly that deficits are being dealt with have failed the credibility test, and they have absolutely failed the test of fiscal responsibility. This budget bears no relationship to fiscal conservatism or fiscal responsibility, and this vote will be a defining vote on where Members stand with respect to fiscal responsibility for this country.

Here is the record on deficits. Since 2001 the deficits have soared to new records, levels we have never seen before in the history of the country -- \$412 billion in 2004 and very little improvement anywhere in sight.

As we review back to 1980 the relationship between spending, here is what we see. The red line is the spending line of the United States, the green line is the revenue line. We can see spending has been brought down as a share of gross domestic product rather steadily until this administration. In fact, it is interesting, in the entire 8 years of the Clinton administration, spending came down steadily as a share of GDP. We have now had an increase, largely as a result of the attack of September 11 because 91 percent of this increase is defense, homeland security, aid to New York, and aid to the airlines.

Going forward, we see that spending will stay roughly at these levels going forward, with some slight additional increase as we get closer to the time when the baby boomers retire.

Look at the revenue line of the United States. Also during the Clinton administration, revenue rose each and every year so that finally we did away with deficits and, in addition, we actually stopped raiding the Social Security trust fund to use it for other purposes.

President Bush came to office, and the revenue side of the equation has collapsed. Last year, revenue was the lowest it has been as a share of GDP since 1959. The President said when revenue was high as a share of GDP, we must have tax cuts. Now that revenue is at a 50-year low, the President's answer is more tax cuts. The result is a huge ongoing gap between spending and revenue that means ever-increasing debt, and all of it at the worst possible time before the baby boomers retire.

Here is what the Comptroller General of the United States said in a speech to the National Press Club on February 2 of this year. He said: "The simple truth is that our Nation's financial condition is much worse than advertised." The Comptroller General of the United States had that exactly right. Our financial condition is far worse than advertised.

In fact, my first chart showed the deficit at just over \$400 billion in 2004, at \$412 billion. But that is not how much was added to the debt that year. It was far more because the deficit understates the seriousness of our financial condition.

So, too, does the budget that was sent to us by the President of the United States. The President told the American people that he is cutting the deficit in half over the next 5 years, but the only way he got there is just by leaving out things. He left out any war costs past September 30 of this year. Does anybody believe there is not going to be any war costs past September 30 of this year?

Here is what we have. The President sent up a supplemental. That passed the Senate and is in conference committee now. The supplemental is \$82 billion for ongoing military operations in fiscal year 2005 but nothing past September 30. Look what the Congressional Budget Office tells us should be in the budget: \$383 billion. That is their estimate of residual war costs.

Mr. SARBANES. Mr. President, will the Senator yield for a question on that chart?

Mr. CONRAD. Yes, I will be happy to.

Mr. SARBANES. As I understand it, the President's budget, and this budget resolution, does not provide anything for the long-term costs of Iraq, Afghanistan, and the continuing war on terror?

Mr. CONRAD. It does not. We have this supplemental, as the Senator knows, that is going through the process. We passed it in the Senate. It is in conference committee now. It is \$82 billion. Much of it will be spent this year; some of it will slop over to next year. This is what the Congressional Budget Office says should be in any realistic budget -- not \$82 billion, but \$380 billion, and it is this gap which is part of the unrealistic nature of the budget that is before us and the budget the President sent us.

Mr. SARBANES. So the budget is not really presenting a true picture of what we can anticipate in terms of expenditures; is that correct?

Mr. CONRAD. No, it really is not. I think any objective observer in reading this budget would have to say it is not a realistic picture of our financial condition. It just leaves out things. In fact, when the President's people came to me and told me how they were going to cut the deficit in half, I said to them: Why don't you just leave out some more things and claim you balanced the budget because it would have about as much attachment to reality as this has.

Mr. SARBANES. Are there other items they have left out besides the costs of Iraq and Afghanistan?

Mr. CONRAD. There certainly are other items. One of the items that is left out is the true cost of the President's tax cut proposals because the President switched from 10-year budgeting to 5-year budgeting, and I think here is why. The dotted line shows the end of the 5

years, and this chart shows the cost of the President's tax cut proposals. As we can see, it is very interesting, right after the fifth year of this budget, the cost of the President's tax cut proposals takes off like a scalded cat. None of that is captured by the President's budget because his budget ends right here at this dotted line. But look what happens right past the dotted line. The revenue hemorrhage escalates dramatically, and it is not just there, but it is also with respect to the alternative minimum tax, the old millionaire's tax that is rapidly becoming a middle-class tax trap.

Here is the trend line of the cost to fix the alternative minimum tax. It is straight up, and there is no funding in the President's budget to deal with it. So with 3 million people affected by the alternative minimum tax last year, 10 years from now it is going to be 40 million people a year. It costs \$774 billion to fix. Last year, the President had 1 year of funding to deal with it. He has no funding in his budget this year to deal with it. And so, again, it is an unrealistic budget because it does not capture items we all know are going to have to be dealt with.

Perhaps most remarkably, the President's budget, as the budget before us, does not contain any money for the Social Security Program the President champions and that is championed by many on the other side of the aisle. There is no money. We know the President's proposal costs money. In fact, in the first 10 years, it costs \$754 billion. There is no money in the budget. Over 20 years, the cost of the President's plan is \$4.4 trillion -- not a dime of it in the budget. This is not really a budget. It is a political statement, perhaps, but it is certainly not a budget.

When we go back and add back the items the President has left out, just the major items - the alternative minimum tax, the ongoing war costs, according to the Congressional Budget Office the cost of the President's privatization plan -- instead of this trend line which the President is predicting, instead we see this hashed red line. Over the next 10 years, this is where we see the deficits going under the President's plan. The budget before us has much the same pattern, exploding deficits for as far as the eye can see and at the worst possible time, right before the baby boomers retire.

Mr. SARBANES. What would the deficits be if all of these things are included?

Mr. CONRAD. As we see these deficits, we go back to this chart, the President is saying they will be in the \$200 billion range at the end of this 5-year period. We do not see that at all. As we can see, they will be in the \$350 billion range. Of course, this, too, understates the real magnitude of our problem because it does not capture all that is being added to the debt.

Look where this goes the second 5 years, to deficits of \$620 billion. In a moment I will get to how much is being added to the debt under this budget because I think that is critically important for people to understand. Our friends on the other side of the aisle talk a lot about deficits these days. They never talk about the debt. The debt is the accumulation of all the deficits.

Obviously we face a big demographic challenge going forward. I have indicated all of this is happening at a bad time because the baby boomers are about to retire. Here is what we

see. We are going to go from about 40 million people eligible for Social Security and Medicare to 81 million eligible. That is a key reason we ought to be running more balanced budgets at this time.

The President told us back in 2002 that: “None of the Social Security surplus will be used to fund other spending initiatives or tax relief.” That is what he told us. None of the Social Security money would be used to fund other spending initiatives or tax relief. Now we are able to have the benefit of several more years and we are able to look at the record and see what the President's budget will do going forward. The President said none of the Social Security surplus would be used for tax cuts, or other spending initiatives.

Under the budget that is before us from the President and under the budget before us by the majority party, every penny of the Social Security surplus is going to be used under the President's plan for the next 5 years and, by extension, the next 10 years, \$2.5 trillion -- \$2.5 trillion of payroll tax money, which is supposed to be used to support Social Security, being used to pay for other things. In effect, it is being used to subsidize his massive income tax cuts for the wealthiest among us, and being used to pay for other things.

The irony of this is the President says Social Security is \$3.7 trillion short over the next 75 years, but in his budget he is taking \$2.5 trillion of Social Security money in the next 10 years alone and using it to pay for other things.

I think this whole picture becomes more clear if one puts it all together. This is the reason I so strongly oppose this budget that is on the floor. I say to my colleagues, anybody who votes for this budget should never make another campaign claim that they are fiscally responsible or fiscally conservative because this budget absolutely is a testimony to those who worship at the altar of debt. This budget builds debt on top of debt.

Going forward, this chart shows the Social Security trust fund surpluses, which are the green bars. The blue bars are the Medicare trust fund. The red bars are the President's tax cuts. What one sees is the Social Security and Medicare trust funds go cash negative at that very time the cost of the President's tax cuts explodes, driving us right over the cliff into massive deficit and debt. That is where this is all headed.

The President says Social Security is a problem and, of course, he is correct. The 75-year shortfall in Social Security is \$4 trillion. The 75-year shortfall in Medicare is 7 times as much. The 75-year shortfall in Medicare is \$29.6 trillion. This is according to the Social Security trustees.

One would say that is a big problem, that the President is not addressing this problem, not addressing these shortfalls. His proposals make it all worse. His proposals take more money out of Social Security. The budget that is before us takes \$2.5 trillion of Social Security money over the next 10 years and uses it to pay for other things.

Then the President comes with a proposal and says establish private accounts and divert more money out of Social Security, another \$700 billion over the next 10 years. Over the next

20 years, he is talking about diverting over \$4 trillion out of Social Security. That is real money. It is no wonder Social Security has a shortfall. The President is helping to create the shortfall.

The President told us in 2001: "...(M)y budget pays down a record amount of national debt. We will pay off \$2 trillion of debt over the next decade. That will be the largest debt reduction of any country, ever. Future generations shouldn't be forced to pay back money that we have borrowed..." These are not my words. These are the President's words. The President said: "...Future generations shouldn't be forced to pay back money that we have borrowed. We owe this kind of responsibility to our children and grandchildren."

Those are good words. The President was right to utter them. The problem is if one compares the record to the rhetoric, there is no connection.

Mr. SARBANES. Would the Senator yield for a question?

Mr. CONRAD. I would be happy to yield.

Mr. SARBANES. When did the President make that statement?

Mr. CONRAD. That was made in March of 2001, when, the Senator will recall, he was assuring us we could afford to have a massive defense buildup, deep tax cuts, that it would all add up and he would be able to protect Social Security and Medicare, not use the money for other purposes, and he would have maximum paydown of the debt. He was wrong on every single count. He was wrong by a country mile.

Mr. SARBANES. Grievously wrong. I gather we will probably see the true picture of what has happened over the succeeding 4 years, but we continue to run these deficits and we are getting deeper into debt all the time. Is that not correct?

Mr. CONRAD. It is very interesting to compare this statement where the President says he is going to have "the largest debt reduction of any country, ever. Future generations shouldn't be forced to pay back money that we have borrowed," but here is what has actually happened. There is no debt reduction. The debt is exploding. This is just the publicly held debt. The gross debt would be even a worse picture.

I have taken the debt that is the most restrained version of the debt of the United States. The President inherited \$3.3 trillion in debt in 2001. Under his plan, we are headed for over \$9 trillion of debt by 2015. Increasingly, this money is being borrowed from abroad.

Mr. SARBANES. Would the Senator yield for a question?

Mr. CONRAD. I would be happy to.

Mr. SARBANES. If the debt keeps running up, then the carrying charge on the debt goes up every year. So more and more of the annual budget is consumed in order to pay the interest charge on the debt that was built up because deficits have been run before, is that correct?

Mr. CONRAD. Well, the Senator is exactly correct. I think one of the things that is so disturbing about this is an increasingly large part of our budget is being consumed by interest costs to service this debt. It is going to do nothing but get worse. Part of the result of that is, not only are we borrowing money from ourselves but increasingly we are borrowing money from abroad. If we look at what we now owe abroad, here is what we see. These are stunning numbers, I might say, but this is the latest information we have on what we owe other countries. We owe Japan over \$700 billion. We owe China, now, almost \$200 billion. We owe the United Kingdom over \$171 billion. I am reading a book on George Washington. He would be turning in his grave to think our country owes Great Britain \$171 billion. We owe the Caribbean Banking Centers over \$100 billion. I don't know what the Caribbean Banking Centers constitute, or where they get their money, but we owe them over \$100 billion. We owe South Korea over \$67 billion.

The pattern that is so clear is the extraordinary increase in foreign holdings of our debt. The foreign holdings of our debt have increased almost 100 percent since President Bush took office. That is an utterly unsustainable course. Foreign holdings of our debt have gone up almost 100 percent since 2001.

Some people look at that and ask, what difference does it make? Isn't that just fine, someone is willing to loan us money? Shouldn't we take Japan's money? Shouldn't we take China's money? What is the difference it makes?

Here is the difference it makes: What happens when they decide to quit loaning us all this money? What happens if they decide they do not like the idea of loaning us this huge amount of money?

This was in the Financial Times in January of this year "Central banks shun U.S. assets." "Shifting reserves to eurozone will deepen Bush's difficulties in funding deficit." "Actions likely to undermine dollar's value further." We can connect the dots.

Here is what has happened to the value of the dollar since 2002. Against the Euro, the dollar has declined 34 percent. If you were one of these countries holding all of these dollars and you see the value of the currency declining, might you get the idea it is time to put your money some other place? We have already seen the warning signs. South Korea, a month or so ago, indicated they might diversify out of dollar-dominated securities and the stock market went down 170 points. Weeks later, the Japanese Premier said they might diversify out of dollar-dominated securities and the dollar took a huge hit. In March of this year, perhaps the most successful American investor of our time, Warren Buffett, said he is going to bet against the American dollar again this year because of this pattern. The currency value is declining, and declining sharply. Warren Buffett tells us a key reason is these massive deficits we are running - trade deficit, budget deficit -- are forcing us to borrow more and more money from abroad.

I say to those who might be listening, how does it make America stronger to borrow more and more money from abroad? How does that make us stronger?

Mr. SARBANES. Mr. President, that is the question I wanted to put to my colleague. As I understand what is happening, we are becoming increasingly dependent economically on countries abroad. We are losing control over our own economic destiny.

They say, well, they are still willing to lend us this money. That may be, but in the course of doing it, we become more and more dependent upon them. They can continue to give us the money, we get deeper and deeper into the hole, which then raises the prospect that if they shift their policy, we can take a very serious hit. There is no commentator I have read who believes we can continue on this trend path indefinitely. At some time there will be a reckoning.

What has happened is the United States has become dependent on the kindness of strangers. We say we are No. 1, that we have the world's strongest economy. Yet we are in hock to everyone around the world.

The Senator showed the figures of the holdings of other countries. The China figures, which are still well short of Japan, are going up on an ascending trend that is almost breathtaking in terms of how much deeper we get into hock.

I ask the Senator, that has not only serious economic implications, but doesn't it reduce our ability to deal on important political and security issues to be this indebted and this much dependent on others in economic terms? They are in a position to give a real jolt to our economy if they choose to do so, which then, it seems to me, restricts or limits our ability to deal on a whole range of other issues we may have with one or another of these countries.

Mr. CONRAD. Here we face these massive trade deficits. The trade deficit was over \$600 billion last year. For the most recent month, after the dollar has declined dramatically, it is supposed to improve our trade situation. What happened to the trade deficit? Did it go down? No. In the most recent month, the trade deficit was \$61 billion, the biggest ever. That is after the dollar has declined 34 percent. It makes our goods less expensive and makes foreign goods more expensive. That should have improved our trade position, and yet it did not.

We have a problem. The sooner we face up to it, the better. None of this adds up. You can live beyond your means for a time. A family can do it. An individual can do it. A government can do it a lot longer because governments can print money. But there are consequences to that, as well.

Those who say deficits do not matter, go ask the German people after World War I. Ask them whether they think deficits matter. We all know what happened in Germany after World War I. The currency collapsed because of their heavy foreign indebtedness after the war.

What did they do? You wanted to buy shoes? You fill up a wheelbarrow full of the German currency because that is what it took to buy a pair of shoes. We are not in that shape, and God forbid we ever get in that shape, but the trend lines are not favorable. They are not good.

Our foreign holdings of our debt have gone up almost 100 percent. In fact, that chart is a

little out of date because the truth is, it is already over 100 percent. That is what has really happened. This debt is mushrooming every year, and under the budget that is before the Senate the debt of the United States is going to go up \$600 billion a year each and every year of this budget.

They say they have the deficit going down, and yet the debt is going up. What kind of doubletalk is that? The deficit is going down, but the debt is going up. It is going up \$600 billion a year, every year. Anyone who votes for this budget is voting for it.

The budget before the Senate leaves out the full 10-year numbers because they know past the 5 years everything gets worse. It leaves out funding for the ongoing war beyond fiscal year 2006. It leaves out the alternative minimum tax reform. It leaves out the cost of Social Security privatization. When you add it all back, you get a very different result than our colleagues are showing the American people.

When you go back and create a real budget, here is what we find. Deficits. Massive deficits each and every year going forward, never go below \$572 billion. That is not the full increase in the debt. This leaves out things which we will get to in a moment.

Our friends on the other side say, well, we are reducing the deficit. In one meeting we had -- in the conference committee Democrats were excluded, absolutely excluded from the negotiations on this budget. Let me repeat that: Democrats were not allowed or permitted to be in the room when these discussions were undertaken.

Mr. SARBANES. Will the ranking member yield on that point?

Mr. CONRAD. I am happy to.

Mr. SARBANES. Would the Senator agree with me that is an outrageous departure from the traditional practice in terms of how conference committees ought to operate? Traditionally, conference committees have met, both parties have been included in the conference committee, debate has taken place, issues have been raised, and decisions made. Now, the majority may impose their decisions because that is how it gets decided, but there is an opportunity to try to shape the debate and have an influence on what is decided. In this instance, the Democratic members of the conference committee were completely excluded, except for one show-and-tell meeting that was held, a pro forma meeting.

Mr. CONRAD. Required by the rules.

Mr. SARBANES. Yes. Which had to be done; otherwise, presumably, it never would have happened. All these decisions were made by -- and only by -- the Republican members of the conference committee from the House and the Senate.

Now, it is an abuse of power, in my opinion. It is another reflection of an arrogance of power in terms of how the institution ought to operate. But I think it is very important to register the point that this is what transpired. The American people need to understand that this budget

resolution that is here was not the consequence of a give-and-take in the normal legislative way. This was done by the majority simply imposing their will.

Mr. CONRAD. That, in fact, is the case. We were excluded in every way. The only time we were included is at the meeting that is required by the rules. There is a requirement there be at least one meeting of the conference committee, and we were there. We made our statements. We were ushered out, and that was the end of the conversation. I said I do not think that is the way our Forefathers intended the process to work. One of our colleagues on the other side said: Well, our Forefathers never envisioned political parties. That is true; they did not envision political parties. But they did envision the abuse of power by a majority. That is one of the things that consumed them in writing the Constitution of the United States. They were deeply concerned that a majority would run roughshod over the rights of a minority. They did not see it in terms of political parties. They did see it in terms of majority power and minority rights. This majority has adopted the view that it is only about majority power. That is a mistake. That is not what the Founding Fathers intended.

Here are the results of that kind of mistake. When you look at the deficits, our colleagues say they are going to improve the deficit. But in fact, here, as shown on this chart, is a comparison of the budget conference report and the deficits it produces compared to what would happen if we put the Government of the United States on autopilot.

If we just used the CBO baseline, we would have lower deficits than is produced by the work of this conference committee and the majority. In fact, they have increased the deficits by \$168 billion over 5 years, over the CBO baseline. So they have made the deficits worse by \$168 billion in comparison to what would have happened if we would have just put the Government on autopilot.

When our friends say they are going to cut the deficit in half over the next 5 years, here is the strongest answer in factual terms I know of. It is right here. This is the fiscal year 2006 budget resolution from the GOP conference report. This is their own document, their own calculation, of what is going to happen to the debt of the United States each and every year under this budget. Here is what it says. It is not my document. This is their document. They say that the debt is going to go up by \$683 billion the first year, by \$639 billion the next year, by \$606 billion the third year, by \$610 billion the fourth year, by \$605 billion the fifth year.

Where is the deficit cut in half? Where is it? Every year the debt is going up by over \$600 billion. Just visually, on this chart, this is what we see. They are building a wall of debt. Here is where the debt stood, debt subject to limit, and where it will stand at the end of this fiscal year in September. If this budget is adopted -- and I pray it is not, for the good of this country. For the economic security of America, I hope this budget is not adopted. Why? Because it builds a wall of debt. Each year, each and every year, the debt climbs by another \$600 billion under this budget resolution.

Anybody who votes for this budget ought never to again claim they are fiscally responsible or fiscally conservative because they are taking us on a path of deficits and debt and decline unparalleled in American economic history. That is where this is all headed.

Mr. SARBANES. Will the Senator yield for a question?

Mr. CONRAD. I am happy to yield.

Mr. SARBANES. As this wall of debt is built up, I want to come back again to the carrying cost on that debt. It has to be understood, in each annual budget, there is going to be a larger and larger amount to cover the interest charge on this fast, expanding debt that is being built up year to year. Furthermore, if we run a risk that other countries are not going to want to hold our paper, as they are doing, we are probably going to have to raise our interest rates. In fact, interest rates are already on the way up, in any event. If you have to raise them even more, to get others to continue to hold our paper, the carrying charge is going to go up.

So the carrying charge is going to go up because the debt is going up, and it is also going to go up because the interest rates will be going up. So there will be a double blow dealt to the American economy, and a bigger and bigger chunk of each year's budget will be eaten up in paying the interest charges on this enormous debt. Isn't that correct?

Mr. CONRAD. What is stunning here is who is it going to go to? It used to be America financed its own debt; that is, we borrowed the money from ourselves. Increasingly, we are borrowing the money from abroad. Increasingly, we are dependent on the decisions of foreign central bankers to finance our voracious appetite for foreign capital.

The Senator is exactly right. As the debt increases, even if interest rates remained unchanged, the interest cost would go up because of the increasing debt, the increasing borrowing that we are doing as a nation. On top of that, we know the increasing debt will put pressure to increase interest rates because people are going to keep making us these loans, especially when the value of our currency is declining.

The only way to offset that is to increase the interest rates. So then you get hit by a double whammy, the double whammy of increased interest because your debt has increased and also it is increased because interest rates are increasing.

Mr. DORGAN. Mr. President, I wonder if my colleague, the Senator from North Dakota, would yield for a question?

Mr. CONRAD. I would be happy to yield.

Mr. DORGAN. Mr. President, I notice on our desks there is something called the conference report. It is what I asked Senator Conrad about earlier today, whether he was aware of what was in the conference report. I guess that was at about noon or 1 o'clock. I believe the Senator responded that he was not aware at that point because he had not seen it.

But because this is called a conference report, I would ask the Senator -- you are the ranking member on the Budget Committee here in the Senate -- were you a part of the conference? Were you a conferee?

Mr. CONRAD. Well, I was, in the sense that my colleagues chose me as a conferee, along with the distinguished senior Senator from Maryland, Mr. Sarbanes, as well as the senior Senator from Washington, Mrs. Murray, but we were not invited to any of the working sessions. We were not invited to any of the negotiations. We were not invited to be any part of any of the discussion, other than the one meeting that is required by rule. It was a public session of the conference committee in which we were permitted to make short statements, but we were not part of any negotiation or any discussion.

Mr. DORGAN. Just to further inquire, you were selected by the Senate to be a conferee to this conference but, in fact, were not invited to the conference; is that the fact?

Mr. CONRAD. That would be the fact.

Mr. DORGAN. Let me ask the question: I asked midday whether you knew what was in this conference report, and I well understand now why you could not know if the conferees on this side of the aisle were not welcomed to the conference. In fact, if the conference was held without participation from the minority party, then I understand this report is produced, in whole, by the majority party. It is a big, thick document stuck on our desks maybe midafternoon or late this afternoon.

I was listening to the debate by my colleague, Senator Conrad, and he was talking about deficits and debt. I thought maybe someone would challenge him on his figures. Wouldn't it be the case that it would be hard to challenge your figures because they come from page 4 and page 5 of the budget prepared by the majority party? In fact, what it says on page 4, which is their conference report -- a conference they didn't allow the minority to participate in -- is that each and every single year, they are going to have massive amounts of deficit spending. And they start with \$7.9 trillion of debt on page 4 and end up with \$11.1 trillion. Yet they are out here thumbing their suspenders, boasting about how terrific they are at reducing the Federal deficit.

Can you show me any place in here where they are reducing the Federal deficit? It looks to me like on page 4 or page 5, they are filling the tub with deficits.

Mr. CONRAD. Here it is. This chart shows graphically precisely, according to their numbers -- not my numbers; these are their numbers -- what they say their budget will do. It says they are going to increase the debt every year by \$600 billion. They say they are going to cut the deficit in half over 5 years, but the debt goes up each and every year by over \$600 billion. If that isn't doubletalk, I don't know what is. They say the deficit is going down, but the debt is going up. It is their own calculations. They are building a wall of debt that is unprecedented, and they are doing it right before the baby boomers begin to retire, and we all know what that means. They are going to present a future Congress and a future President with the most extraordinarily difficult choices that any Congress or any President has faced in this country's history because this is a complete lack of fiscal responsibility -- deficits on top of deficits on top of debt, up, up, and away, no end in sight, and all of it at the worst possible time, before the baby boomers retire.

I say to my Republican colleagues: Any Republican colleague who votes for this budget ought to make a pledge here tonight that they will never again claim the mantle of fiscal responsibility, that they will never again claim to be fiscally conservative, because this is a borrow-and-spend budget of historic proportion. Our friends on the other side of the aisle have decided that the way to win elections is to borrow the money and use it to fund tax cuts and use it to fund spending and don't worry about anything adding up because they will be out of town before the bills come due.

Mr. DORGAN. If I may inquire further, isn't it the case that this budget document is actually a budget document that is wearing makeup? If you take the makeup off this document, what does it look like? Let's assume they put everything in this document that they know is going to happen. Then what does it look like? As bad as it is now, isn't it the case that this becomes a fiscal catastrophe?

Mr. CONRAD. In some ways, it is almost hard to place language on this document. The Senator says it has makeup. This isn't pretty with or without the makeup because the results of this are going to be a country that is deeper and deeper in debt, whose long-term economic security is put at risk, that more and more is dependent upon the decisions of foreign central bankers on our economic well-being. The harsh reality here is that you can live beyond your means for a while, but it catches up with you. And that is what this budget represents.

Our friends on the other side of the aisle want to spend money. Make no mistake about that. The spending is going up under this budget. They just don't want to pay for their spending. They prefer to borrow the money. They don't want to raise the taxes necessary to support their spending.

One could have more respect for their position if they did one of two things: if they either cut their spending to match their willingness to pay for it by raising revenue or if they were willing to raise the revenue to match their spending appetite. But our friends on the other side of the aisle are not willing to do either. They want to spend the money, but they don't want to raise the revenue to pay for it. Instead, their answer is, borrow the money. Borrow the money to fund tax cuts. Take the money from the Social Security trust fund, \$2.5 trillion.

They say Social Security is short of money. So what is their answer? Their answer is to take \$2.5 trillion out of it to pay for income tax cuts that go primarily to the wealthiest among us.

Here is the evidence of that because buried in this budget are additional tax cuts, dividends, capital gains that will give on average to those who are earning over \$1 million a year in our society a \$35,000 tax cut per year. For those who earn less than \$50,000 a year, the vast majority of Americans, they will get \$6 a year. This is our Republican friends' notion of a balanced plan -- \$35,000 a year for those who earn over \$1 million a year, \$6 for those who earn less than \$50,000 a year. And for those who are fortunate enough to earn \$50,000 to \$200,000 a year, they would get \$112. That is our Republican friends' notion of tax fairness.

Mr. SARBANES. Will the Senator yield?

Mr. CONRAD. I am happy to yield.

Mr. SARBANES. The number of people in this country who earn over \$200,000 a year is less than 1 percent of all taxpayers, is it not?

Mr. CONRAD. It is.

Mr. SARBANES. It is a tiny group. So this tiny group under this chart will be receiving the overwhelming proportion of this tax cut that is included in this budget resolution.

Mr. CONRAD. Those who earn from \$200,000 to \$1 million a year get on average \$1,480 under the tax cut plan that is contained here. Again, those who earn more than \$1 million a year get, just on these tax provisions -- by the way, these are just a couple of the tax provisions. This does not include the estate tax provisions that go overwhelmingly to the wealthiest among us. Just these two tax provisions would give \$35,000 a year to those earning \$1 million a year and \$6 of tax cut to those who earn less than \$50,000. It will give \$112 to those who earn between \$50,000 and \$200,000.

I would just say that the priorities of this budget are also out of whack. This budget, in the year 2006, for those fortunate enough to earn over \$1 million a year, the tax cuts going to that group of people will cost \$32 billion in that year alone. That is the cost of the tax cuts for those earning over \$1 million a year in that year alone: \$32 billion. But they say there is not the money to restore the education cuts that are contained in this budget which would cost \$4.8 billion. They say there is no money to do that. But there is eight times as much money to give tax cuts to those earning over \$1 million a year. I guess one could say our Republican friends have said: It is seven times as important to give these tax cuts to those earning over \$1 million a year as it is to restore these education cuts.

I don't share those priorities. I believe those are misplaced priorities. I don't think those are the priorities of the American people. They are profoundly wrong for the long-term economic strength of our country.

Mr. SARBANES. Will the Senator yield for a question?

Mr. CONRAD. Yes.

Mr. SARBANES. Is the \$32 billion -- the cost of the tax cut that goes to those making over a million dollars, is that just for 1 year?

Mr. CONRAD. That is for 1 year.

Mr. SARBANES. So, presumably, in the following year it will cost another \$32 billion?

Mr. CONRAD. Actually, even more the next year.

Mr. SARBANES. That gives you a clear picture of what the priorities are in this budget.

The priorities are to give \$32 billion in tax cuts to millionaires, and yet to cut the education programs by almost below what they were in the 2005 year; is that correct?

Mr. CONRAD. It is very hard to understand this set of priorities. The Senator is exactly correct. This is the amount this budget would need to add to restore education programs to the 2005 level. It would require \$4.8 billion. They say, no, they cannot do that because they have to give \$32 billion of tax benefits to those earning over a million dollars a year.

And it is not just with respect to education, although I argue that education is the clearest priority for our country. What is it that will allow us to compete in this global world economy? What is it that is going to allow us to compete and win? It is having the best-educated, the best-trained workforce, and having the most efficient system to disburse the resources we have, to employ them in the most competitive and effective way. That is what is going to make us dominant. You can see we are slipping. We are running these massive trade deficits. Does anybody care? Is anybody paying attention?

It is not just in education. It would cost \$1.1 billion to maintain funding for law enforcement. But, no, they say you have to cut the COPS Program, shred the COPS Program. The COPS Program put 100,000 police on the street and helped reduce crime in this country. They say that has to go, we cannot afford it; but we can afford 30 times as much to give tax cuts to those earning over a million dollars a year.

A budget is a chance to make choices. That is what it is about. It is about priorities, about what is important. The choices that are being made by our friends on the other side are the choices to add to the debt, add to the deficits, take all the money from Social Security trust fund surpluses -- every dime -- and use it to pay for other things, including tax cuts that go overwhelmingly to the wealthiest among us.

Are those the priorities of the American people? You know, even wealthy people I talk to say these are not their priorities. I have had so many wealthy people say to me, "I don't need another tax cut." A gentleman stopped me the other day -- an enormously wealthy individual -- and he said: Look, what matters to me is how my country does. I have been very fortunate. I have done extremely well here. I want others to have the chance I had.

That means they have to have a chance to get a good education, and that means our country has to do well. I don't know of a country anywhere, ever, that has gotten stronger by becoming more dependent on borrowing from other countries. I would like some of our colleagues to come out here and tell me what country became stronger by borrowing more money from foreign countries. Where is it written in history that a country made itself powerful and strong by borrowing more and more money from other countries? You know, so many people have warned us we are on an unsustainable course. The Comptroller General of the United States warned us we are on an unsustainable course of deficits and debt. The Chairman of the Federal Reserve Board has warned us we are on an unsustainable course of deficits and debt.

Another thing the Chairman of the Federal Reserve Board told us is, you ought to

reinstitute the budget disciplines that helped this country in the past, those budget disciplines that apply to both the spending and the revenue side. But this budget doesn't do that. This budget has pay-go provisions that apply on the spending side. Here is what Chairman Greenspan said: "A budget framework along the lines of the one that provided significant and effective discipline in the past needs, in my judgment, to be reinstated without delay. I am concerned that, should the enforcement mechanisms governing the budget process not be restored, the resulting lack of clear direction and constructive goals would allow the inbuilt political bias in favor of growing budget deficits to again become entrenched."

He said that in 2003 before the Senate Banking Committee. The Chairman of the Federal Reserve Board was right about that matter. But that is not what our friends have done here. They have not restored the budget disciplines that worked in the past. No, no. They have taken half of the formula.

The New York Times ran an editorial on Wednesday: "In Search of Budget Moderates." I would write a different headline. My headline would be: In Search of People Who Are Fiscally Responsible.

If you want to spend the money, raise the revenue to pay for it. If you don't have the stomach for raising the revenue to pay for it, cut your spending. Those are the choices that were put before our Republican colleagues. They chose to do neither. They chose instead to run up the debt of this country, which is already at record levels, and they said: Caution to the wind, let's add to the debt \$600 billion a year each and every year of this budget. That is what is here. It is their own estimates. It is their own claims about their own budget. It is not somebody else's calculations; it is theirs and they are responsible. They will be held accountable for their votes tonight.

Mr. DORGAN. Will the Senator yield for a moment?

Mr. CONRAD. Yes, I am happy to.

Mr. DORGAN. The Senator made a very powerful presentation, as usual. This is an embarrassment -- this train wreck of a budget that was brought to the floor of the Senate in a manner that excluded the minority party from participating, in a manner that excluded those who were designated as our conferees from participating, brought to the floor the afternoon it is to be considered. The only thing that trumps the bad numbers here is the bad judgment.

A hundred years from now, everybody here will be dead. Historians can look at this and determine what were our priorities, what was important in this country to the policymakers, and how they spent the money. This is an embarrassment, a train wreck. We are going to have a lot of discussion about choices and judgment. That is important, the choices of: What did we decide to invest in? Who got the tax cuts?

That is important. But the bad numbers the Senator has spoken about are staggering. I know nobody is going to come to the floor to respond directly to what he has described because there is no response to it.

As I conclude, I will say that some while ago somebody told me you don't understand the economic strategy that is employed here: Don't worry about the deficits; spend all this money, and give big tax cuts to upper income folks. Katie bar the door. Don't stare problems directly in the eye; don't deal with them. Let me explain it to you. You take three glasses and one apple. Cut the apple in half and put one-half in the first glass, put the other half of the apple in the second glass, and the third half in the third glass. I said: But there are only 2 halves.

He said: You don't understand our economic strategy. I said: No, I sure don't.

That is exactly the basis on which they create a strategy. It is a mirage, a total myth. This document pretends to do something it doesn't. It is an embarrassment. The minority was not allowed to come to conference, and the majority that is supposed to represent the conservative movement in the United States has become the biggest spenders in the history of this country and the biggest supporters of Federal debt and deficits we have ever seen. And that is in this document. Do not take it from me, it is not my word, it is in black and white on page 4 and page 5. I am very anxious tonight for somebody to come down here and describe why and how they got to this point and how they justify it. I appreciate the Senator yielding.

Mr. SARBANES. Mr. President, will the Senator yield for a final question?

Mr. CONRAD. Yes, I will.

Mr. SARBANES. The Senator has spoken in a very articulate way about fiscal responsibility. My own understanding is, looking back at history, when we have gone to war, as the President took us to war in Iraq, we have usually raised taxes to help cover the cost of the war or at least cover part of the cost of the war in an effort to be fiscally responsible.

In this administration, we went to war and, if I am not mistaken, at the same time the administration was pushing for tax cuts. So we were again being hit doubly. The cost of the war was being imposed on the budget affecting our deficit and debt situation, and at the same time they were seeking tax cuts -- in other words, diminishing revenues -- which also affected negatively our deficit and debt situation, and that is contrary in terms of fiscal responsibility and what has happened in previous war engagements; is that not correct?

Mr. CONRAD. It is correct. Here we have a situation in which we are at war, and we have had very substantial tax cuts already. Last year the revenue was the lowest it has been as a share of gross domestic product since 1959. The deficits are at record levels. And the President's answer is spend more money and cut the tax base further, expanding the deficits, expanding the debt, and doing it all right before the baby boomers start to retire. It is truly a reckless course the President is taking us on. It is a reckless course. I hope at some point colleagues on both sides of the aisle will get serious about the long-term economic security of the country.