

**Floor Statement by Senate Budget Committee Chairman Kent Conrad (D-ND)
on Motion to Instruct Budget Conferees on Spending
April 23, 2009**

I thank the Senator for his remarks. I disagree with them, but I respect them. They are deeply held on the part of Senator Sessions, who is an important member of the Senate Budget Committee.

Let's review the record, because I have heard some things here today that are a bit of rewriting of history. How did we get in this ditch? This wasn't the Obama administration's doing. The Obama administration has been in office less than 100 days. They inherited this colossal mess.

Who did they inherit it from? They inherited it from the previous administration, aided and abetted by what was for six years solid Republican majorities in the House and the Senate. And what was the record they produced? Not projections in the sweet bye-and-bye of what the new President's budget might do. We can look back and see what their policies actually did. And what did they do? Well, on spending, it is interesting to see the crocodile tears now, but when they had a chance, they doubled the spending of the country. That is a fact. They doubled it.

Much more than that, they took the deficit to unprecedented levels. This is the deficit record of the previous administration. What you see is an ocean of red ink. The black is the previous administration. The Clinton administration balanced the budget and stopped raiding the Social Security trust fund. The Bush administration came in and ran up the deficit to record levels, put the economy in the ditch, and then left town. They said to the Obama administration: Good luck.

This is what happened to the debt under the Bush administration. Not only did they double spending, they more than doubled the debt of the country, and that was at a time when the economy was relatively good. What a tragic record. What a legacy they have left for this country -- a legacy of debt, deficits, and decline -- the three Ds. And they are the Ds that belong and describe the record of the previous administration.

What did President Obama inherit? Record deficits, the more than doubling of the national debt, the worse recession since the Great Depression, the financial markets and housing markets in crisis, almost four million jobs lost in the last six months alone, and war in Iraq and Afghanistan. My goodness, what a mess he was left to try to clean up.

Senator Gregg has made it very clear -- and he is right -- that we have a need to increase the short-term deficit, unless we want to return to Hoover economics, which put this country in a depression and, unfortunately, that is exactly what I heard in the previous speech -- a desire to return to Hoover economics. The markets will correct themselves; the Government doesn't have to do anything. We can just sit by and watch the whole thing collapse.

That was the philosophy of the last administration. We can see what happened. It was a tragic mistake. We can go back further in history and see what happened in the 1920s and 1930s

when that same philosophy prevailed. It put this country into the worst depression in the economic history of our country.

All I can say is, no thanks. My vote is no on going back to Hoover economics.

I say to my colleague, Senator Gregg, who recognizes that Hoover economics is not the answer, this is the statement he made, "I am willing to accept the short-term deficit number and not debate it, because we are in a recession, and it's necessary for the Government to step in and be aggressive, and the Government is the last source of liquidity. And so you can argue that this number, although horribly large, is something we will simply have to live with."

Senator Gregg said much the same thing today. Of course, he is right. Look, nobody is more of a deficit hawk, I don't think, in this place than I am. But I understand in the short term, when your economy is collapsing, deficits and debt will grow. That is necessary because only the Government can provide the liquidity to prevent a complete collapse. But over time, it is absolutely essential that we pivot and go back to a more sustainable fiscal course. That is what this budget begins to do.

For example, on domestic discretionary spending, we take it from 4.3 percent of GDP in 2010 down to 3.2 percent in 2014. We are stepping down discretionary spending in each and every year, measured as a share of our national economy. That is what economists say is the right way to measure. I could show it in dollar terms, but that doesn't take into account inflation. This does.

When I hear this talk about this being a big-spending budget, please, I don't know what budget they are talking about. They are not talking about the budget that passed the Senate because the budget that passed the Senate increases nondefense discretionary spending, on average, per year, by 2.5 percent. That is not a big spending budget.

Let's look at the defense side as well because in 2010 defense spending under this budget is 4.8 percent of GDP. Over five years, we step it down to 3.7 percent of GDP -- almost the exact same trajectory as nondefense discretionary spending that we are taking from 4.7 percent of GDP in 2010 down to 3.6 percent in 2014. So it is one thing to come out and make a claim, it is another thing to prove it. Everybody has a right to their own opinion, but they don't have a right to their own facts.

These are the facts of the budget before us. This is a tough and fiscally responsible budget that increases nondefense discretionary spending, on average, by 2.5 percent a year. Measured against the share of the economy, we are taking both defense spending and nondefense discretionary spending down as a share of our national income to the lowest level it has been in many years.

Where are the increases that are in this budget, the 2.5 percent, on average, increase in nondefense discretionary spending? I have already shown that we are taking both defense spending and nondefense spending down as a share of the national income. But where are the increases, as modest as they are?

In overall discretionary spending, the biggest increase is in defense, which is 37 percent. Why? Because this President and this budget were honest about war spending, unlike the previous administration, which played hide the ball and acted as though the war wasn't going to cost anything.

I am not overstating because for several years in a row the previous administration, even though we were at war, said the war in their budget was going to cost nothing. Let me repeat that. The previous administration, even after the war in Iraq had begun, claimed in their budget submissions that the war was going to cost nothing -- nothing. What an amazing thing. It wasn't true.

This President came in and said: No, we are going to write a new chapter. We are at war, and we are going to put the war cost in the budget. So in the modest increases here, 37 percent of them are defense; 14 percent is in international. That is also something hidden in the previous administration. They kept presenting what they called "supplemental" budgets after their regular budget to hide the full cost of their involvement overseas.

The next largest increase in the modest overall increases we have is for veterans; 10 percent of the increases is for our Nation's veterans. Why? Because they deserve the best care we can provide. We have the largest dollar increase for veterans health care in this budget than in any budget that has been presented. I am proud of that because we are keeping faith with our Nation's veterans.

Ten percent of the increase is for education, and 10 percent is for income security. That is because we are in a deep recession. That means people are out of work, and if we are going to provide unemployment benefits to keep them from losing their homes and being out on the street and not being able to feed their families, we provide unemployment benefits. That costs money, and that is in the budget.

Eight percent is for the census. We only do the census once every 10 years, but we have to pay for it. It is in the budget. Six percent is for natural resources and the environment. Three percent is for transportation, and 2 percent is for other items.

The overall context of this budget, I want to make clear -- the deficit, in dollar terms, is being reduced from \$1.7 trillion this year, and this year's budget is almost totally the responsibility of the previous President because he set in place the policies that the new administration inherits. We stepped down the deficit, very dramatically, by more than \$500 billion from 2009 to 2010, by more than \$300 billion from 2010 to 2011, by another \$300 billion from 2011 to 2012, and then more modestly thereafter, so that we are reducing the deficit over the 5 years of this budget by two-thirds.

Measured as a share of the gross domestic product -- which, again, economists say is the best way to measure -- the deficit is reduced by more than three-quarters, from 12.2 percent of GDP to less than three percent of GDP in 2014. So over the five years, we are reducing the deficit by three-quarters.

One other point I want to make is that the previous administration -- not only did they more than double the debt and double spending, they tripled foreign holdings of U.S. debt. It took 224 years and 42 Presidents to run up \$1 trillion of U.S. debt held abroad. The previous President alone tripled that amount. You talk about a legacy of debt, you talk about a legacy of weakening the country, that is it.

I don't mind hearing criticism of the budget we have proposed. Is it a perfect document? No. Do we have to do much more, especially in the next five years? Absolutely. But this budget is a good and responsible beginning. If our budget is so bad, why haven't they offered an alternative? If our budget is as irresponsible as they claim, why did they not offer an alternative?

Well, I think we know the reason. They didn't want to have to be held responsible for the tough choices of presenting a budget. So talk is cheap around here.

This budget upholds the President's fundamental priorities of reducing our dependence on foreign oil, a focus on excellence in education, and fundamental health care reform because that is the 800-pound gorilla that can swamp this boat. Without such reform, we are headed on a course in health care that is totally and completely unsustainable. Finally, we are dramatically reducing the deficit over the next five years.

Those are the priorities the President asked us to preserve. We have done it in the budget. The President supports it. He is right to do so. Let's remember this President did not create this mess; he inherited it. He has been asked to clean it up. I am proud of the aggressive actions he has taken to try to get us on a better course.