

**Floor Statement by Senate Budget Committee Chairman Kent Conrad (D-ND)  
During Debate on FY 2010 Senate Budget Resolution  
March 31, 2009**

I thank the distinguished ranking member for his use of my previous quotes. I am delighted to see my name up there on those wonderful charts....

The one thing I would say that was left out was when there was a new administration and a complete change in direction in 2001, I did offer a complete alternative. My colleague is very unhappy with the President's budget. This is their opportunity, if they are as unhappy as they say, to offer an alternative. But they don't have one. They don't have an alternative. They don't have an alternative budget. They don't have an alternative vision.

All they want to do is say no. They want to say no to the President's budget. They want to say no to the budget that has come from the Budget Committee. They say no to their even offering an alternative.

When the situation was reversed, a new President in 2001, with a radically different vision, we offered a full alternative. I am proud we did.

When I hear the other side talk about the growth of debt, I have to ask, where were they the last 8 years? Where were they? Where were they when the previous administration doubled the debt of the country? In fact, they more than doubled it. Where were they when the previous administration tripled foreign holdings of U.S. debt?

As this chart shows, it took 224 years and 42 Presidents to run up \$1 trillion of U.S. debt held abroad, and the previous President ran that up by more than \$2 trillion. He tripled the amount of U.S. debt held abroad. We have become increasingly dependent on the kindness of strangers.

Last year, under their administration, 68 percent of the new debt of this country was financed by foreign entities. Where were they when that was happening?

This President inherits the colossal mess left behind by the previous administration, a debt that had more than doubled, foreign holdings of U.S. debt more than tripled, and the worst economic slowdown since the Great Depression. This President has been in office 3 months. Under the terms of the amendment they are now offering, they act as though he is responsible for debt runup during the previous administration. Please. That has zero credibility. They are saying that debt runup in the last quarter of the last administration is attributed to this administration. They say the budget that this President is inheriting for this year is the responsibility of this President. I don't think so. That is not the way I ever did the calculations.

When their administration was in power, I always held their administration harmless for the first year since they were inheriting the budget of the previous administration and the economics of the previous administration. Now they want to try to stick President Obama with

the failures of the last administration and say debt runup in the previous administration is his debt. I don't think so. That is not fair. That is not going to sell.

Here is what happened when they were in charge. We now have China as the No. 1 financier of U.S. debt. We owe them \$740 billion. Japan is not far behind. We owe them \$635 billion. Where were they when this debt was being run up? I will tell you where they were. They were in full lockstep support of the previous administration. They voted for every dollar of the debt that was run up.

One place I will agree with them is that it is dangerous to have run up that debt. Unfortunately, with this economic slowdown, we are going to have a lot more debt, a lot more deficits, until we are able to lift out of this and then pivot and get back to a more sustainable course.

China is worried about the U.S. debt. They were worried about it before this administration, they were worried about it in the previous administration, and well they should be.

If we look at any analysis of the debt we have from 2001 to 2014, who is responsible for the debt buildup? This red bar is what the Bush administration will have been responsible for. The green is the recession and interest on inherited debt. The contribution of this budget is the small yellow piece because we have the Titanic of debt coming at us. It is a result of the policies inherited by this administration, the result of the economic collapse inherited by this administration. That is the reason we have the circumstance we face today.

Let me quote Senator Gregg. He was kind enough to quote me. I would like to quote him. This is what he said on March 11. He was quoting me from 2006. I stand by those quotes. This is March 11, Senator Gregg: "I'm willing to accept this [short-term debt 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 have to live with."

He was right on March 11 -- by the way, my daughter's birthday, and the day before my birthday. Usually he gives me a gift on my birthday. No gift this year. I am very hurt by this. I don't know why Senator Gregg absolutely forgot my birthday. He remembers my quotes, but no remembrance of my birthday. That is OK. I still like him very much. He is a very nice person.

But the place where he and I absolutely agree is the second 5 years. We have to do a lot more to get the debt under control under the President's budget, even my budget, which dramatically reduces the deficit and debt. The truth is, we have to do more. It is in the country's interest that we do.

Let's talk a minute about what we are accomplishing in the budget before us. We are dramatically reducing the deficit, from \$1.7 trillion this year, an all-time record, because of the dramatic economic slowdown. That means less revenue, more expenditure, exploding deficit, and \$1.3 trillion of this \$1.7 trillion is exclusively the responsibility of the previous President.

A new President walks into a situation. He didn't construct the conditions for this year. That is the previous administration. So \$1.3 trillion of this year's deficit reflects the policies of the previous administration. We hold President Obama responsible for \$400 billion of the deficit this year because that is the effect of his stimulus package and other legislation that passed.

So, yes, he has a responsibility for some of this deficit this year, but it is about one-fourth of what we will experience this year. Then we are dramatically reducing the deficit by \$500 billion for the next year. The next year we bring it down another \$300 billion, the next year another \$300 billion, and, by 2014, we take it down to \$508 billion, a more than two-thirds reduction in the 5 years of this budget as a share of gross domestic product, which is what economists say ought to be the comparison.

Why do they say it? Because if you look at it in dollar terms, that does not take account of inflation. If you do it as a share of gross domestic product, that takes account of inflation. You can see we are even more dramatically reducing the deficit under that metric, from 12.2 percent of gross domestic product today down to less than 3 percent in the fifth year, which economists all say is what we need to do to stabilize the growth of the debt. We need to get to 3 percent of GDP or less. We do that in the fifth year and bring down the deficit as a share of GDP each and every year of the 5 years of the budget.

My colleagues on the other side have offered an amendment that says -- and I hope colleagues are listening because we are going to vote on this, and we will be voting pretty soon on this proposal -- if the debt is at a certain level, it will require 60 votes to write a budget resolution.

Let's think about that. Let's think of the implications of what they are offering. They say, if the debt is not below a certain level, you cannot write a budget resolution unless you get a supermajority vote. Do we want to do that? I would say to my colleagues, the budget resolution is the vehicle that has all the budget disciplines in it, all the supermajority points of order against spending, and they would jeopardize those very disciplines that can help us hold down deficits and debt.

What sense does that make? I ask my colleagues, does it make any sense at all to be saying we are going to make it harder to write a budget resolution that provides the disciplines to hold down spending, that provides all those supermajority points of order against additional spending? I say to my colleagues, the cure they are offering is worse than the disease. Please, colleagues, let's not go with that idea.

I will tell you, in the committee, they actually offered -- which I thought was the most bizarre; and I have been on the Budget Committee 22 years -- in the committee they actually offered a proposal to tie our standards on deficits and debt to Europe. So we are going to adopt the European Union model under the amendment they offered in the committee. Could you imagine?

Now the question of what our fiscal policy should be would be tied to France, would be

tied to Italy, would be tied to Spain, would be tied to Germany, would be tied to Belgium. This is America. This is an American budget for the American people. We ought not to be tying ourselves to the French, the Italians. I love the Italians. My wife is Italian. But, my goodness, they are talking about tying our budget standards to the European Union? I do not think so.

I say to my colleagues, this amendment they are offering -- well intended, absolutely well intended; I do not question their motivation at all, but I do question very much the specifics of the proposal they have offered.

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Let me very briefly respond to Senator Sessions. Let me first say that I appreciate his concern about the long-term debt, but I have to go back to the questions I was asking earlier. Where were they? Where were they when the debt was deemed doubled in the previous administration? Where were they? They were right there supporting every policy which led to that explosion of debt and which ultimately led to the sharp economic collapse we are still experiencing. This collapse is responsible for record deficits.

What happens when there is a collapse? The revenue evaporates, the expenditures skyrocket, because you have more people unemployed, you have more people who need food stamps, you have more need for a stimulus package to try to give lift to the economy.

So I would just say to my colleagues, I have been concerned about debt for 22 years. I have been concerned about what it would mean to the economic security of America for 22 years. I have led fight after fight after fight on this floor, whether it was Democratic administrations or Republican administrations, to keep deficits and debt down because I believe they threaten the long-term economic security of the country.

Never is it more evident than now, when we financed 68 percent of our increased debt last year through foreign entities. Some say that is a sign of strength that they are willing to loan us all this money. I don't think it is a sign of strength; I think it is a vulnerability. When we are dependent on the Chinese to bankroll us, the Japanese to bankroll us, that gives them an extraordinary influence over us because if they decide to not show up at the bond auction one week, what would we have to do? We would either have to dramatically increase interest rates to attract capital or we would have to radically cut spending or dramatically raise taxes. All of those alternatives would be bad for the economic position of the United States for the long term.