

**Transcript of Floor Statement by Senator Kent Conrad (D-ND)
on CBO's Summer 2004 Budget Update
September 7, 2004**

The new deficit numbers came out today from the Congressional Budget Office. They show that we will now run the largest deficit in the history of the country -- some \$422 billion. That is nearly \$50 billion more than last year, and it should alarm every Member of this body and certainly every Member of the Congress. We are headed in a direction that is utterly unsustainable.

When the President was asked about this in a recent interview on NBC, the questioner said this to him: "Let me ask you about deficits. This year, \$445 billion, ballpark. Do you think that's pretty good?" The President said: "Yes. I do. I do." When you are running the worst deficits in the history of the country, to think that is good news I find unusual. This is not good news.

It reminds me a little of the captain of the Titanic when the ship is going down saying: Well, there is good news here because the ship is not sinking as fast as I thought it would.

We can't continue with deficits of this magnitude. This President ran on the promise that he was going to be fiscally responsible. But look at his record compared to the previous three Presidents: President Reagan ran a large deficit; President Bush 1 ran large deficits -- in fact, the largest deficit in history in his final year; under President Clinton, we had deficit improvement each and every year. We climbed up out of the red ink, and for several years -- in fact, 4 years -- we were deficit free. Now President Bush took over, and each and every year the deficits have gotten worse.

In fact, we can all recall that he inherited a substantial budget surplus -- \$127 billion. Then each and every year the deficits have gotten much worse.

One of the things that is most alarming and ought to concern people the most is that the amount of deficit this year -- \$422 billion -- is not the amount by which the debt will increase. I think there is a lot of confusion. I taught economics classes at the universities in my State during the break. I find there is a lot of confusion between the deficit and the debt.

The deficit, of course, is the annual difference between what we raise and what we spend. That is the annual difference. The debt is the accumulation of all the deficits over time. But it is also true that the deficits printed in the newspapers badly understate how much the debt is increased. The biggest reason for that is they leave Social Security in the calculation. Of course, Social Security is supposed to be separate, it is supposed to be apart, and even by law Social Security is supposed to be separate. But that is not the way we have it treated in the newspaper. They put everything into one pot. When you do that, you hide the fact that they are going to borrow this year nearly \$150 billion from Social Security. That gets added onto the debt, but it doesn't count as deficit.

It is kind of a bizarre way we do accounting here in Washington. There is no other institution in the country that would be able to do what we do here -- take retirement funds of employees and use it to pay the operating expenses of the Federal Government -- but that is what we are doing under the President's plan. That is what we will do every year for the next 10 years under the President's plan. In fact, we will not just borrow \$149 billion from Social Security; over the next 10 years under the President's plan, \$2.4 trillion will be borrowed from Social Security with no plan to pay it back.

If you look at just this year, the official deficit now they are estimating at \$422 billion, but what will be added to the debt will be well over \$630 billion. I hope someone is listening out there. The debt of the United States in 1 year is going to increase by over \$630 billion, \$422 billion of deficits plus \$149 billion borrowed from the Social Security trust fund, every penny of which has to be paid back. The President has no plan to do it. On top of that, another \$60 billion from other trust funds the President is borrowing.

That is not the only place the President is borrowing. He has borrowed over \$600 billion from Japan, over \$150 billion from China. He has even borrowed tens of billions of dollars from South Korea. This is a course that is utterly unsustainable.

If we look to the future, the President is telling the American people he has a plan to cut the deficit in half over the next 5 years. My advice to the American people is, do not believe it, because it will not happen. The only way the President comes up with that calculation is he leaves big chunks of spending out of the calculation. He leaves out the war cost beyond another \$25 billion. We all know it will be much more than that. On top of that, he leaves out the necessity of fixing the alternate minimum tax which right now affects 3 million people. By 2010, the Congressional Budget Office says it will affect 30 million people. Boy, are they in for a big surprise. They thought they would get a tax cut, but they have coming at them a big tax increase. It costs over \$600 billion to fix it. The President does not have any money in his budget beyond next year to deal with it.

If we put back in all these things the President is leaving out, here is what we see is the long-term outlook for the deficit. We do not see it being cut in half because we put back the need to fix the alternative minimum tax, the war costs, the President's proposal for more and more tax cuts. What we see by 2014 is the operating deficit of this country will be approaching \$800 billion. That is an utterly unsustainable course.

There was an item in this morning's *Washington Post* that I thought was a bit of a warning shot across the bow. This was a report from the U.S. Navy that says they plan to buy fewer ships. In fact, many fewer ships because of the budget pressure. It is time to connect the dots. It is time to recognize these large budget deficits that are mushrooming as we look ahead to future years under the President's plan, because the President says spend more on defense, spend more on homeland security, both of which, undoubtedly, are necessary, but he couples with that massive additional tax cuts when we already have record deficits. How is it possible for any of this to add up? It does not add up, and it threatens fiscally our long-term economic security.

The Navy is planning to buy fewer ships. That is only the Navy. We will find the Air Force will be under pressure, the Army will be under pressure. In fact, every element of Federal operations will be under pressure because fundamentally we cannot be strong if we are financially weak.

This country now is running such massive deficits and adding such enormous sums to the debt -- the biggest numbers we have ever seen in the history of the country -- that it fundamentally threatens the long-term economic security of this country.

I submit to my colleagues and the American people that the President has us on the wrong course. It is time for everyone, on a bipartisan basis, to get together, to come up with a plan to get us back on fiscal track, a fiscal track that will ultimately lead to balanced budgets. There is no time to spare because the baby boom generation will start to retire in 2008. It is hard to believe, but those baby boomers who were born after World War II are getting ready to retire. They will dramatically increase the number of people eligible for Social Security and Medicare.

That is one reason Chairman Greenspan has urged us to cut Social Security and Medicare.

Is that the course we want to go down? That is where the President's budget plan is taking us. He has run up the biggest deficits in the history of the country and there is no end in sight. All of this at the worst possible time, right before the baby boomers retire. What are the results? What are the implications of this plan and policy?

In the warning of Chairman Greenspan we see the implication that the natural conclusion, the natural result of the President's policies is to force cuts in Social Security and Medicare and much of the rest of the Government as we know it. That is because the President's plan is so badly out of balance. The difference between revenue and expenditure is so big -- and that is before the baby boomers retire; that is before the number of people eligible for Social Security and Medicare double -- this is a course that cannot be sustained.

The quicker we deal with it, the better. Everyone knows when you have a problem, the faster you deal with it, the easier it is to solve. The more time you delay, the more time you wait, the bigger the problem becomes.

I am here in the Senate to say the Congressional Budget Office has sent us a very clear signal. We have the biggest deficit this year we have ever seen in the country's history. And we can see for the future, if the President's plan is followed, these deficits can only grow as the baby boomers retire.

This President may have left town by that time. But the rest of us who are here -- maybe some of us will be gone, as well -- but those who are here are going to inherit an extraordinary problem. It is our obligation now to begin to address it. That is the right thing to do for the country. It is the honorable thing to inform the country of how big this challenge is, how deep this deficit chasm has become, and how threatening it is for our future economic security.