

**Transcript of Remarks by Senator Kent Conrad (D-ND) in Press Conference Call  
Responding to Congressional Budget Office's August 2003 Update  
August 26, 2003**

We have the new numbers from CBO and what they show is that the President is taking us into a deep, dark hole of deficits and debt that will take the nation many generations to recover from.

As we look at these numbers, I think it is very important to remember what is not included. If we provide for the extension of the expiring tax [cuts] which the President has called for, the prescription drug program that he has endorsed, and allow for alternative minimum tax reform to prevent 30 million people from being affected by the alternative minimum tax at the end of this decade, and we treat Social Security as a trust fund and don't jackpot those monies and use them to pay other bills, then the deficit over this period 2004 to 2013 is over \$6.6 trillion. In fact, we've just got new numbers that would indicate it would be as much as \$6.8 trillion over this period. Now that is what I would call the true operating deficit over this period of time. That is a stunning reversal from the \$5.6 trillion that we were told just two years ago would be available in surpluses over the next decade.

And so I believe it is time for the President to come forward with a multi-year plan to get us back on track because these deficits are not sustainable. They are record deficits, they are very large by any measure, they are very large as a percentage of GDP when accurately measured. Deficits of this magnitude, coming at this time, fundamentally threaten the long-term economic security of the country. When I say 'this time,' what I am referencing is the fact that the baby boom generation is about to retire and that will explode costs to the federal government at the exact time the President's tax cuts explode in cost, driving us even deeper into deficit and debt in a way that is totally unsustainable.

So with that I'd be happy to answer any questions.

*Question:* A lot of the people want to know, or don't quite understand why they should care about deficits. I was wondering if you can explain to people why they should care?

*Conrad Answer:*

Let me try to handle that. First of all, this threatens I think very clearly the future ability of the United States to keep its promise on Medicare and Social Security. You know the accounting of the United States government does not include those long-term liabilities and the language being used in Washington for the last several years I think has confused the situation. There was talk before these deficits developed that we had surpluses. The truth is we never did have surpluses. If you look at the long-term liabilities of Medicare and Social Security, we didn't have extra money, we didn't have money to be shipping back to people, as the President said repeatedly it's the people's money, send it back to them. What he's really doing is borrowing money to send back to them. There wasn't a surplus to send back to anybody if they

had appropriate accounting.

So what this means is, in the future, a future Congress and a future President will be faced with extraordinarily excruciatingly difficult choices. And I believe it is inevitable that a future Congress and a future President will face proposals to dramatically cut Social Security and Medicare and it will be labeled reform, but the fact is it will be dramatically cutting benefits that people are expecting in their retirement years.

In addition, it does have an economic effect, especially over time. And the effect is on interest rates. When the federal government borrows money, that puts it into competition with the private sector and especially as the economy recovers these very large budget deficits will put upward pressure on interest rates, which will put downward pressure on economic growth. It will reduce economic growth and we've already seen a back-up in long-term mortgage rates that is quite dramatic. Since June, mortgage rates have gone from 5.2 percent to over 6.2 percent – that's a 20 percent increase in long-term mortgage rates in two months. That has an adverse effect on the economy, has an adverse effect on housing, has an adverse effect on corporate expenditure, on corporate investment, has an adverse effect on virtually every part of American economic life because it means that everything people buy with credit costs more.

*Question:* You said in your opening comments you think it's time for the President to come forward with a multi-year plan to get us back on track....what makes you think the administration will come forward with any plan?

*Conrad Answer:*

I call for him to do it because...the deficit for 2004 on a real operating basis is not \$480 billion. It's going to be a \$640 billion deficit because he's taking \$160 billion of Social Security surplus and throwing that into the pot and using it to pay for tax cuts and other expenditures. A \$640 billion deficit on a 10 and-a-half trillion dollar economy is huge. And the President's own long-term numbers show the situation is going to get much, much worse as the baby-boomers retire, putting us in a circumstance in which deficits will be 12 and 13 percent of gross domestic product – that's utterly unsustainable. The earlier you address this issue the better. The earlier you face up to it the better. The President has got a responsibility to this country to the long-term economic strength of our nation to face up to this problem, not to give this happy talk that none of this matters. Of course, it matters.

*Question:* Will he do that in the budget he presents next year?

*Conrad Answer:*

He certainly won't unless he's pressured to do so. I think it is in the nation's interest this President face up to what is a growing fiscal crisis. You know, we've never had a deficit of over \$290 billion. And, here we are at \$480 billion without taking account of the money taken out of Social Security, which is another \$160 billion. The short-term situation is frankly less important

than the long-term situation. The long-term situation just jumps out at you. This is a circumstance that we are now on a path that cannot be sustained.

*Question:* I've been around long enough to remember when Republicans were very critical of Democrats in raising the deficits and they didn't win elections as much as Democrats did. Now, Democrats complain deficit is huge problem down the road. Do you think this is really a winning issue for Democrats?

*Conrad Answer:*

Well I would take you back to 1992 and Bill Clinton who made an issue of deficits, and made an issue of getting the country back on track and defeated a Republican president named Bush. I think the American people have common sense. I think they can see that when you have record budget deficits and you have a baby boom generation that is about to retire that none of this adds up and that its got adverse consequences for the country. I believe that this is a critical issue and I have confidence in the American people and the common sense of the American people to recognize we're on a course that cannot be sustained and makes no sense and threatens the economic security of the country.

*Question:* If you do cut the deficit, do you think at the end of this 10 years we would have a larger economic pie or smaller economic pie overall. In other words, under your strategy, might we have a smaller economy at the end of the road?

*Conrad Answer:*

No, the modeling shows very clearly that you get stronger economic growth with moving towards balance, reducing deficits, reducing debt. You get stronger economic performance. Virtually every economic model shows that, including the folks who have done the modeling for the White House.

*Question:* Is there anything Congress can do on its own if the leadership in Congress and the President is not forthcoming?

*Conrad Answer:*

Back in the previous Bush administration, a group of us put forward a budget that the leadership of both parties opposed and it was a deficit reduction initiative. It got 46 votes in the United States Senate and laid the groundwork for a serious [deficit] reduction program that followed in the Clinton administration. That represented a revolt of the membership of the United States Senate. When we offered that alternative budget, you may recall the Republican and Democratic leadership called in the members to separate party caucuses and told them to oppose the alternative budget that a group of us were offering. And we got 46 votes. That so surprised the leadership. And if you then look at what we proposed versus what was done in the

Clinton administration, you will see a very close fit between the policies that we proposed to close the gap. I believe that's a model that could occur again. It's obviously less likely with the President in opposition.

*Question:* So you don't see any similar revolt brewing with the deficit getting larger?

*Conrad Answer:*

I think it will happen. I don't think it will happen this year, but I think it will happen because I think most members, or at least many members, are increasingly concerned about where this is all headed. And, we do have that model. It was a fascinating dynamic. I'll never forget it. We went into that vote not knowing whether we'd get 24 votes or 50 votes, and you know as people thought about it, people thought about the implications of deficits just soaring out of control, they decided it was time to get serious.

I think we're on that same trajectory. I think there is a growing awareness in the public, a growing concern I think the polling shows it. And I certainly find it. I'm in Mott, North Dakota as I'm talking to you, and just addressed a group of about 25 people. They're concerned about the deficits. They know that it threatens the country, and I think as stories come out about where this is all headed, and the red ink just gets deeper and deeper, there will be a response. Not perhaps immediately, but I expect you'll see more next year, and the year after that as people recognize we cannot stay on this course.