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**Hearing Statement of Senator Max Baucus  
Regarding Perspectives on Deficit Reduction**  
*As prepared for delivery*

Henry Ford II once said:

“What’s right about America is that although we have a mess of problems, we have great capacity, intellect and resources to do something about them.”

The enormous Federal budget deficits and the debt our country faces can certainly be called a mess. Identifying ways to reduce these deficits and eliminate the debt is the topic of our discussion today. Addressing our deficits and debt is an economic issue, it is a national security issue, and it is a moral issue.

Our deficits and debt threaten our future and the future of our children and grandchildren. I’ve long said we have a moral obligation to leave this place better than we found it, but today, our fiscal challenges prevent us from meeting that responsibility.

And there are other concerns. U.S. debt could be recalled by foreign entities in times of economic or military conflict. This presents a significant national security concern.

The non-partisan, independent Congressional Budget Office, or CBO, estimates that this year the deficit will reach 9.8 percent of our entire economy. This is the second-largest deficit on record since World War II.

One of the most significant factors behind our deficits is the recession. As our economy continues to recover, we will see improvements. By fiscal year 2015, our deficits are expected to drop to approximately 4.7 percent of GDP.

But over the longer term, our deficits are projected to continue increasing. They will likely reach more than five percent of GDP by 2021, and debt held by the public will increase to about 91 percent of our entire economy.

We have to do better. Families in Montana and across the country expect us to do better because that’s what they have to do when budgets are tight in their own lives.

Whether it’s saving for college or making payroll for their small business, Americans know they have to balance their books. And they know you can only put so much on the charge card.

It's time for us to take a lesson from the family that hasn't taken a vacation in far too long and from the small business where everyone took a pay cut to prevent layoffs. It's time for us to get serious about our deficits and debt.

Economists agree we have to get the debt held by the public under control. That means deficits in the near term should be reduced to no more than three percent of GDP.

To meet that goal, we must act. While we must be cautious during the present recovery, we should enact legislation soon with a plan to reduce deficits as our economy grows stronger.

That plan should not overshoot deficit reduction targets, harm critical programs or risk our economic growth, but it also must be a plan we are committed to enact.

As we consider our deficit reduction plans, we must keep several things in mind.

First, everything must be on the table. Our deficit challenges are simply that significant.

Second, we should not scapegoat Social Security. Social Security benefits are self-financed through payroll taxes and the Trust Fund. Social Security is not responsible for the deficits in the general fund.

Third, any deficit reduction package should be balanced. In general, the package should not be tilted too much toward spending cuts or too much toward revenue increases.

Fourth, spending cuts do not necessarily mean benefit cuts. We have to stretch our administrative dollars further and make our programs more efficient.

The new health care law has already made some notable progress toward deficit reduction by addressing one of the largest drivers of our deficits, rapidly rising health care costs.

The law increases focus on prevention, it makes our system more efficient, and it cuts fraud, waste and abuse significantly.

These improvements resulted in the most significant deficit reduction in more than a decade.

According to CBO, the law will reduce the deficit by more than \$230 billion in the first ten years of enactment and by more than a trillion dollars in the decade that follows. We must give this law time to work.

The Finance Committee has jurisdiction over many of the programs that will figure prominently in this discussion. We oversee Social Security, Medicare, Medicaid, taxes and many other programs. That's 45 percent of total spending.

Following today's hearing, I intend to hold more hearings to give us the facts we will need as we move forward to address these paramount issues, and I look forward to hearing the ideas the President will put forward later today.

So let us tackle this mess of problems head on, and let us capitalize on the capacity, intellect and resources this great nation has to solve them.

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