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## **AHEAD OF DEFICIT REDUCTION TALKS, BAUCUS HOLDS HEARING TO CONSIDER BUDGET TRIGGER PROPOSALS**

*Finance Chairman Examines Ideas to Encourage Significant Deficit, Debt Reduction*

**Washington, DC** – Senate Finance Committee Chairman Max Baucus (D-Mont.) today held a hearing to consider budget trigger proposals ahead of bipartisan talks among Congressional and White House Leaders on ways to reduce the nation’s deficits and debt. Baucus considered different options for such budget triggers, which would set budgetary limits tied to a specific measure of our economy, such as debt as a percent of GDP, and trigger automatic deficit reduction if that limit was reached. The concept of an automatic trigger has been proposed by leaders on both sides of the aisle, making it a possible policy on which decision-makers could work together to reduce deficits and debt.

**“We clearly have to take significant action to get our deficits and debt under control, and that’s what we’re working to do,”** said Baucus. **“We have to be realistic and responsible as we consider what deficit reduction steps to take and that includes considering every option possible. These trigger proposals have the potential to bring Members from both sides of the aisle together and ensure action to reduce our debt. A debt reduction trigger could be an important part of passing legislation to reduce our debt and move our economy in a positive direction toward growth and job creation.”**

At the hearing, Baucus examined what a budget enforcement mechanism, or trigger, would look like. He considered what type of economic measure a trigger might be tied to, including the level of debt held by the public as a percent of our economy or the level of federal spending as a percent of our economy. Baucus asked witnesses what type of automatic response should be triggered by the mechanism. Specifically, he asked if that action should be limited only to reduced spending, or if it should be made more flexible to include an increase in revenue, a reduction in tax expenditures, or some combination of both.

Baucus discussed the budget trigger proposal put forward by Senators Corker and McCaskill, which would cap spending as a percent of the economy and make deep cuts in critical programs including Social Security, Medicare and Medicaid. Baucus asked witnesses about the difference between a spending cap as a percent of the economy, and a cap on debt as a percent of the economy, such as the proposal put forward by President Obama. President Obama’s proposal would provide more flexibility for decision makers to reduce deficits and debt. Baucus pointed out that President Reagan’s 1984 budget set a precedent for this flexibility by including a “contingency tax” that would have triggered a one percent tax surcharge on individuals and corporations as well as an excise tax of \$5 per barrel of oil.

Baucus also asked witnesses how to ensure the automatic action set in place by the trigger would be credible. He stressed the importance of decision-makers taking the trigger seriously enough to be encouraged to act. Baucus examined other aspects of how a trigger mechanism would work, including in what year the trigger should be set, if it should extend over a series of years and how a trigger could affect our economy in an economic downturn.