



For Immediate Release
April 27, 2010

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**Opening Statement of Senator Max Baucus (D-Mont.)
at the First Meeting of the National Commission for Fiscal Responsibility**

This Commission has an important job. We need to control deficits and debt.

Why do we care about deficits? When deficits and debt are too high, two things could happen. Both are bad.

First, deficits and debt could drive up interest rates. In the short run, this could cause a recession. In the long run, this could reduce investment and growth. And that would reduce our standard of living.

Second, we could owe more of our debt to foreigners. The interest that we would pay on that debt would ship taxpayer money overseas. And that would also lower our standard of living.

And the size of the foreign holdings of our debt also puts our country at risk. If other nations decide at some point that it's too risky to hold U.S. Treasury securities, and start to sell them, it could drive interest rates through the roof. And that could also lead to recession.

In short, letting deficits and debt grow too high puts America at risk.

So we here have to work together. When previous commissions have succeeded, they bridged party divisions.

The 1983 Greenspan Social Security Commission succeeded. And it was bipartisan.

The budget summits of 1987, 1989, and 1990 succeeded. And they were bipartisan.

So was the budget agreement of 1997.

When our Commission has completed its work, I hope that we can say the same.

I have an idea for a first step to achieve bipartisan agreement. The first thing that this Commission should do is to focus on what I call "the three gaps": the "tax gap," the "spending gap," and the "productivity gap."

The "tax gap" is the amount of taxes that are legally owed to the federal government but not timely collected. The IRS estimates that there is a \$345 billion tax gap every year. Yes, \$345 billion, every year.

That's about half of the total budget deficit currently projected for 2015, the target year for the Commission to reduce the deficit.

There are three sources of this \$345 billion tax gap:

- 80 percent is from understated income or over-stated deductions and credits.
- 10 percent is from non-filers.
- And 10 percent is from taxpayers who fail to pay their taxes on time.

If we can put a man on the moon, and we can think about landing an astronaut on Mars, we can collect more of the taxes owed.

And we should not cut one dime of federal benefits, or raise one dime of federal taxes, until we have done everything we can to collect the taxes that are already owed.

Collecting these taxes will reduce our deficit, without raising taxes on anyone.

The "spending gap" is the amount of fraud, waste, and errors in federal spending.

Take Medicare. It's estimated that \$25 billion of Medicare provider payments are made in error, every year. Once again, \$25 billion, every year.

I know that there is a task force that is working on reducing fraud in Medicare. The Commission should meet with that task force.

Third, the "productivity gap" is the amount of technology and efficiencies successfully employed by the private sector that could be put to use in the federal government.

The White House has just announced the creation of the President's Management Advisory Board. Jeffrey Zients, who is currently the Deputy Director for Management at the Office of Management and Budget, will head up the new Board. The Commission should also meet with him.

Let me also make two points about Social Security. First, changes to Social Security will do little to meet our deficit target for 2015. It's just in the nature of sensible Social Security changes that they play out over very long periods of time.

Second, some people think that it's easy to address Social Security. But cutting Social Security benefits or raising Social Security payroll taxes would be far from easy.

And that's why the first thing that we should do about Social Security is just like the first thing that we should do for the deficit generally. We should look at the \$50 billion annual tax gap for Social Security payroll taxes.

And so, let's start by closing the tax gap. Let us address the spending gap and the productivity gap. And let us work together to reduce the deficit and improve Americans' standard of living, in years to come.

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