



Committee On Finance

Max Baucus, Chairman

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For Immediate Release
February 6, 2007

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**Statement of U.S. Senator Max Baucus (D-Mont.)
Senate Finance Committee Hearing
The President's Budget with Secretary Paulson**

In his *Poetics*, Aristotle wrote that "beauty depends on . . . symmetry."

What is true of poetry is also true of policy. Attractiveness depends on balance.

The budget before us today is badly off balance.

The budget is not on the level, because it omits major costs. Beyond the current year, the budget includes nothing to fix the Alternative Minimum Tax. Yet we know that fixing the AMT will cost \$60 billion next year. And it will cost more than that every year thereafter.

Already, the AMT forces 5,000 Montana families to pay higher taxes. But this number is slated to multiply many times over. We need to stop this stealth tax, once and for all.

The budget shows an incoherent path for military spending, apart from Iraq. The budget asks for ten percent growth for military spending for the upcoming year. But then the budget proposes average growth of just two and a quarter percent for each of the four years thereafter. That amounts to a shaky assumption.

The budget omits most of the cost of the wars in Iraq and Afghanistan in 2009. And the budget omits all of those costs in 2010 through 2012.

And the budget is literally unbalanced. The budget claims to reach a surplus of \$61 billion, five years from now. But if all of these omitted costs are included, the budget would not be balanced five years from now.

The administration's proposals actually worsen the deficit, in every year. Compared to doing nothing at all, the budget increases total deficits from 2007 to 2012 by more than a trillion dollars.

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This budget makes at best a shaky attempt to collect the taxes that people owe but do not pay. According to the IRS, this tax gap is \$345 billion a year.

I have pressed Secretary Paulson and IRS Commissioner Everson to come up with detailed plans to reduce the tax gap. And I want Congress to do its part by passing legislation, where needed. And Congress needs to appropriate sufficient funds for the IRS to do its job.

Secretary Paulson has committed that he will come before this Committee soon for a hearing devoted entirely to the President's plan to reduce the gap. The administration has tried. But the budget does not make a significant dent in it. The administration needs to do better.

The budget makes an unequal effort to address long-term deficits. The administration appears to blame long-run deficits on spending in just three programs: Social Security, Medicare, and Medicaid. The administration seems to imply that we need to significantly cut benefits in these programs.

But the budget has the wrong diagnosis. And so it proposes the wrong cure.

The primary cause for long-term deficits is rising costs throughout our health-care system. And the budget is uneven in its effort to address those costs.

Our new CBO Director — Peter Orszag — made the point well. He said:

“[It’s] a mistake to look at containing [health care] costs just within the federal programs themselves, Medicare and Medicaid. The underlying driver of . . . the costs in those programs, is the underlying rate of cost growth in the health sector as a whole. And tackling that problem is perhaps the fundamental fiscal challenge and an important economic challenge facing the nation.”

Nearly one in five Montanans are struggling to get by without health insurance. Health care premiums have nearly doubled since the year 2000. We must do better to control health care costs.

And the administration's reasoning ability must be unbalanced, insofar as Social Security is concerned. The budget proposes the administration's failed privatization boondoggle, one more time.

Americans said “no” to privatizing Social Security.

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I want to work together with the White House on positive ideas that will help Social Security, without raising taxes and without cutting benefits. But if the administration once again tries to privatize Social Security, I will fight it, again. And we will win, again.

And the budget makes an unstable commitment to maintaining America's economic leadership. The budget needs to do more to make sure that all American families have a chance at the American dream.

We must support education and encourage businesses to innovate. Those are the keys to creating a cutting-edge workforce and new jobs here in America. We need to expand quality education for students of all ages. We must give teachers the moral and financial support that they deserve.

We should boost research with incentives as innovative as the ideas that we wish to support. And then we should promote the export of innovative American products into foreign markets, under trade rules that are fair and firm.

We should work to increase savings for families, and in the government. We should leave our grandchildren a financial boost, not a burden.

We should work toward energy independence with the fuels that we know today. And we should work to develop those fuels yet undiscovered.

And we should reform our tax code to reflect our economic strengths and priorities.

Let us restore balance to the nation's fiscal policy. Let us straightforwardly report the true costs that lie before us. Let us steadily collect the taxes that people owe but do not pay. Let us equitably address rising health care costs. And let us lay a solid, level foundation on which to build a stronger America.

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