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Statement of Senator Charles E. Grassley
Senate Committee on Finance
Hearing, “Crisis in the Future: Long Run Deficits and Debt”
Tuesday, June 17, 2008

I would like to thank Chairman Baucus for agreeing to hold this hearing on our nation’s long-term fiscal challenge. For more than a decade the Congressional Budget Office, the Government Accountability Office, the Office of Management and Budget, and the Social Security and Medicare Trustees have issued long-range projections of federal spending and revenue. These projections have generally shown a future of rising deficits and debt coinciding with the retirement of the baby boomers.

Most analysts have traditionally attributed our deteriorating fiscal outlook to the combined impact of an aging population, rising health care costs, and the historical aversion to allowing federal revenue to exceed 20 percent of GDP. In light of these projections, most policy analysts concluded the best way to address our long-term fiscal challenge was through some combination of entitlement and tax reform.

In the past year, however, a new perspective has begun to develop. Some pundits and politicians have suggested that population aging is not much of a problem and entitlement reform is not an essential part of the solution. It has been suggested by some that the problem and the solution begins and ends with health care – not Medicare and Medicaid – but all health care. This view holds that only by reforming our entire health care system can we solve our long-term fiscal challenge.

While it is certainly true the rising cost of health care must be addressed, this should not be done at the exclusion of everything else. The future cost of health care is simply too uncertain and the solutions are still too unsettled.

Unlike health care, population aging is much easier to predict. Although public policy cannot stop the aging process, it can address some of the symptoms. Encouraging older Americans to remain active in the workforce, while increasing their personal savings, will reduce the elderly-dependency ratio and permit future retirees to contribute more toward their own health care needs. Health care reform is important. But, we cannot ignore our aging population. Ultimately, we must have a balanced approach. Hopefully, today’s hearing will move us closer to that goal.