



BUDGET COMMITTEE



Judd Gregg, Ranking Member
<http://budget.senate.gov/republican>

Contact: Betsy Holahan (202)224-6011
Emma Post (202)224-2574

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**Opening Statement of Senator Judd Gregg at
Senate Budget Committee Hearing on the
Bipartisan Task Force for Responsible Fiscal Action Act
October 31, 2007**

Thanks you, Mr. Chairman. Let me once again congratulate you for not only putting your toe in this water, but jumping in completely on the issue of how we address what I consider to be, and what you obviously consider to be, the single biggest domestic issue which we face as a nation as we move into the next ten to twenty years. And that is how we deal with the retirement of the Baby Boom generation, how we continue to deliver quality services to that generation as it is retired without overwhelming the ability of our children and our children's children to have a good quality of life also.

I think you frame the question well; your first chart pointed out that we double the retirement population. Let me just put up another chart, however, which of course we've seen before which reflects the fact that the issue really comes down to three basic programs, which are the major entitlement programs, Medicare, Social Security and Medicaid, and the fact that those three programs at their present rate of growth projections – which are not going to change, by the way, because the people who are going to create this issue are alive and they are going to retire, and they are my generation and your generation. And as a result, the cost of supplying the benefits, which have been promised to those individuals, will exceed the amount that is presently spent by the federal budget as a percentage of Gross National Product by the year 2025 and will continue to climb. So that we'll end up in the higher 20 percent range – probably up around 27 or 28 percent of Gross National Product – being required to support those three programs alone by the mid-2030 period. And that's simply not sustainable.

To put it in another context, the median income of the American household today is about \$56,000. The median home price of the American family, or value of their home, is about \$200,000. The unfunded liability, and this is just Social Security and Medicare, for every American family today is \$440,000. That means we have on the books unfunded liability that exceeds by a factor of two the value of their homes or their assets and obviously by a significant factor the income of the American people. Now, you can't tax your way out of this problem -- as this chart shows, this being Halloween -- the tax rates would essentially be out of control on the American people if you simply tried to address this issue on the tax side of the ledger. That doesn't mean taxes shouldn't be on the table – they should be on the table and this proposal puts them on the table.

So the problem is undeniable and it must be addressed. And that's why I congratulate the Chairman for holding these hearings, but more importantly, I appreciate the Chairman being willing to work in a bipartisan way to try to resolve the issue.

And why have we chosen this process? Because we believe that when you put policy on the table, it's good, it gets debated, but it doesn't go anywhere. Because the way the system works around here, is that once you put an idea on the table, it immediately is confronted by the naysayers and the well gets poisoned before the idea can move down the road. So instead of putting the policy on the table first, we've concluded that what we need to put in place is a procedure which will drive policy, good policy, and result in action, and thus, that's why this commission is structured the way it is.

Secondly, we believe that any resolution of this issue has to be absolutely bipartisan and it has to be viewed by the American public as absolutely fair. These programs affect so many Americans that unless they perceive the solution to be fairly reached and in a bipartisan way, it's simply not going to work. That's why we especially appreciate the AARP participating today because you represent obviously a huge constituency that is impacted by this.

And thirdly, we think – the two of us and those who are cosponsoring this bill and we have people in the House who are supporting it, we especially appreciate the Majority Leader being here today...his support is absolutely critical to this effort – but we believe that for the procedure to work, you have to put in the room the players who have “money in the game,” so to say. The people who are responsible for the decision and who understand the policy, and that's why we have limited this to members of Congress and to the Executive Branch. Everybody knows the moving parts here, especially on Social Security. And there is no question but you can go to the substance of a resolution fairly quickly if you can back out the politics. And so by putting the players in the room who understand the issue and asking them to work in a bipartisan, fair way to reach a conclusion, we believe we set up a process that will lead to the right policy.

And the key to this whole exercise is basically to use fast-track. Because we've had a lot of commissions – I've served on them, the Chairman has served on them – really good commissions which have put out really good ideas. But because there's been no action point, nothing has happened, because the issues are so hot-button and so radioactive. And so whatever the proposal is that comes out of this group – remember, it has to come out with 75% of the commission agreeing, and then 60% of the House and the Senate agreeing – it's fast-tracked for a vote. So the decision is made on whether or not it makes sense. Procedure can drive policy, in our opinion, and that's why we structured it this way.

And so again, I congratulate the Chairman for his extraordinary work in this area. If we are successful, he will deserve the majority of the credit, and it will be a tremendously appropriate thing to do for the American people. Thank you.