

**Statement of Congressman Bill Foster**  
**Member's Day, the Budget Committee**  
**March 18, 2009**

First, I want to thank Chairman Spratt and ranking member Ryan for the opportunity to speak here today. The decisions we make in drawing up this budget will have tremendous impact on the lives of all Americans for years to come.

The importance of our success in crafting this budget is magnified by our economic crisis and the series of high profile bills just passed through the House. While necessary for our economic success, I am very conscious of the debts that have come along with these measures, as well as the deficit in long-term investments in recent years. We owe it to the American people to act as responsibly as possible in all our future decisions.

That is why I come before the committee today with several items that I support and that I have concerns about in the current budget proposal. To name them briefly:

- 1) Many aspects of our financial policies are now seen to have exacerbated the boom-and-bust cycle of our economy, particularly in real estate. I urge the committee to consider carefully the pro-cyclical and anti-cyclical effects of any budget policies they adopt.
- 2) Budget projections should be based on conservative assumptions. In particular, I am concerned that interest expense in future years is being underestimated.
- 3) I would like to voice my support for the proposal to enroll employees in 401(k) and IRA accounts by default.
- 4) I would like to voice my support as well for the budget's proposed increases in basic science funding.
- 5) I do not support the suggestion that the cutoff for the farm safety net should be placed at \$500k of total sales.
- 6) Last, I offer my suggestion to the committee that we create and formalize a new system of scoring and tracking the long-term success or failure of our investments. In such critical policy areas as basic scientific research, education, and commercial infrastructure investments, we must plan and score performance over the same time scale they demonstrate their value – in terms of decades, rather than years.

I will now elaborate on each of these points.

- 1) **Pro-cyclicality:** Many aspects of our current financial policies are now seen to have exacerbated the boom-and-bust cycle of our economy. We did our construction and real estate industries no favors by adopting policies that encouraged the enormous over-investment in residential real estate that is a major cause of our current financial crisis. Many elements of our tax code, including the treatment of mortgages, capital gains, and the level of progressivity or regressivity, can exert a powerful damping or anti-damping effect on the business cycle. We must therefore proactively adopt policies that suck the energy out of the asset bubbles of the future, to reduce the human misery when the bubbles burst.
- 2) **Interest Expense:** While I recognize the need for short term spending for economic stimulation, I urge the committee to consider aggressive measures to reduce the national debt as soon as the economy is back on track. Budget projections should be based on conservative assumptions. In particular, I draw the committee's attention to interest expense in future years. I am very concerned that as soon as the world economy recovers, there will be a flight from Treasuries, and our interest rate expense will be considerably higher than people are presently willing to talk about. Properly recognizing this risk will encourage us to minimize our debt and to begin paying it down as soon as possible.
- 3) **IRA/401(k) Default Enrollment:** I would like to voice my support for the innovative new proposal to boost employee's retirement savings by requiring employers to automatically enroll employees in 401(k) and IRA accounts. Under-saving by Americans has been a significant problem for years. This simple plan will encourage many, including those who would benefit most from the years of compound interest, to prepare for a better retirement.
- 4) **Doubling Science Funding over the next Decade:** I strongly support the budget's proposed increases in basic science funding. We cannot expect the United States to stay internationally competitive if we continue recent trends of reducing our R&D budget to a smaller and smaller fraction of the GDP. I support the goal of doubling basic science funding over the next decade.
- 5) **Protect the Farm Safety Net at Current Levels:** I do not support the suggestion that the cutoff for the farm safety net should be placed at \$500k of total sales. For a farmer in my district in a typical year, this corresponds to about \$37,000 in income – hardly the “Big Agribusiness” that should be targeted in this kind of reform.
- 6) **Scoring and Tracking the Long-Term Economic Benefits of Programs:** As a scientist and a new member of congress, one of my frustrations is the tendency of politicians to consider all issues in terms of how they play out in the next election, rather than evaluating what is in the long term best interests of our country. An example of this was the recent

debate on the G.I Bill for the 21<sup>st</sup> Century, which was portrayed on some sides as a budget-buster despite the fact that *over time* the original GI bill paid for itself many times over, both in terms of economic activity and revenue. I therefore offer my suggestion to the committee that we create and formalize a new system of scoring and tracking the long-term success and budgetary impact of our investments. In such critical policy areas as education and basic scientific research, we must score performance in the same way they demonstrate their value – in terms of decades, rather than years.

In highlighting these concerns I do not mean to assault the existing budget proposal. It is a vast improvement over the budgets in recent years, and I hope to support it in its final form.

Thank you for your time and attention.