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**Hearing Statement of Senator Max Baucus (D-Mont.)**  
**On Advancing the Economic Recovery and the Outlook of the Nation's Fiscal Future**  
*As prepared for delivery*

President John F. Kennedy once said, "The solid ground of mutual confidence is the necessary partnership of government with all of the sectors of our society in the steady quest for economic progress."

In the close to four years since the end of the recession, steady progress has been made in our economic recovery. But a feeling of uncertainty nonetheless continues to spread across our nation today.

And the dysfunction of our government is degrading confidence in our economy and creating uncertainty for families and businesses. It's preventing families from planning for the future. It's dragging down investment, leaving businesses sitting on the sidelines and holding back our economy.

Like many members of the committee, I just returned from a week at home in Montana talking with the people I work for. I heard from small business leaders in Billings. I met with law enforcement in Missoula and Bozeman. I talked with the Commander of Montana's Army National Guard, based in Great Falls.

And, as part of a tradition I call "work days," I worked the early shift at Wheat Montana Bakery in Three Forks. Starting at 7 a.m., I cleaned tables, served coffee and greeted customers taking a break from their weekend travels.

At each stop, from every corner of the state, I heard one thing over and over: the people we work for need certainty. It's time Washington started listening. They are tired of being jerked around from one crisis to the next.

They make tough decisions every month to keep their budgets in the black. They deserve a Congress – and a President – that can work together and do the same.

In the coming days and weeks we must confront a number of fiscal challenges facing our nation.

Just three days from now, on March 1, across the board budget cuts known as the sequester will hit.

Eighty five billion dollars in federal spending will be sliced from thousands of programs, including Medicare, rural development and early education. The repercussions will ripple through every sector of our economy.

In Montana, more than 800 civilian employees at Malmstrom Air Force Base and the Army and Air National Guards will face up to a 20 percent reduction in pay. These aren't just numbers, these are real people with bills to pay and families to care for.

Cuts to national parks hit home in our state. Because 64,000 Montana jobs depend directly on outdoor recreation.

Nationwide, the Department of Justice's Office of Violence Against Women will lose \$21 million. That means fewer grants to support the critical work of folks I met with in Missoula and Billings – folks doing heroic work to help prevent violence against our mothers, sisters and daughters. These are impressive people undertaking these programs.

Cuts to the COPS grants program could mean fewer police officers on the streets keeping our communities safe.

The uncertainty over how these and other cuts will play out is weighing heavy on businesses like Wheat Montana and those I met with in Billings.

The nonpartisan Congressional Budget Office predicts the sequester cuts could slow the economic recovery and result in another year of sluggish growth and high unemployment.

Yes, we need to cut our debt and get our fiscal house in order. We know there are some places to trim the fat.

But we need to take a scalpel to waste and inefficiency, not allow a hatchet to hack into American jobs.

We have a plan on the table to bridge the sequester and still cut \$110 billion from our debt without putting working families and American jobs in jeopardy.

This proposal is not perfect. I have concerns about cuts to programs family farmers rely on. But I understand the alternative of doing nothing could be far worse for agriculture and the rest of our economy.

That's why I secured a compromise that will extend the SURE program and give farmers a bridge between direct payments and the next farm bill.

And I worked to include livestock disaster assistance for ranchers recovering from the worst drought in decades. That, too, is important. So while this plan is not exactly how I would have designed it on my own, I recognize that compromise is necessary to get something done.

My hope is that my colleagues will support this plan or offer their own proposal to stop the sequester. We can then work together to prevent these indiscriminate cuts from causing lasting economic damage.

Our economy will be put to the test again in just weeks when the continuing resolution expires on March 27. We face the threat of a government shutdown.

And on the horizon, the federal borrowing limit will be reached in late May. That will require another extension of the debt ceiling.

This is no way to run a country. Congress has been lurching from one fiscal showdown to the next, leaving the nation with uncertainty. The only way we'll be able to get past these budget battles is by working together. And we can start right here on this Committee.

We need to take a balanced approach as we tackle these issues and work together to cut the debt.

Over the past two years, we have made real progress cutting deficits and debt. In 2011, we passed \$1.4 trillion in spending reductions. And last month, Congress passed legislation that reduced the deficit by another \$600 billion.

Together, with interest savings, these actions will cut the deficit by \$2.5 trillion over the next ten years. Add to this the savings from winding down the wars in Iraq and Afghanistan and our deficit reduction will reach almost \$3.5 trillion over ten years.

And as the nation's economy continues to recover, the long-term budgetary outlook has changed. CBO's forecasts for Medicare and Medicaid spending have dropped significantly. Current projections for the programs' costs through the end of the decade are \$200 billion less than in March 2010.

CBO also forecasts decreasing deficits and a stable debt-to-GDP ratio over the next several years. It projects the 2013 budget deficit will be a full third lower than it was in 2010, and it will be cut in half by 2015. CBO notes there will be a slight uptick at the end of the decade, so we must continue to attack the deficit head on.

While progress has been made, the job is certainly not done.

The unemployment rate is still unacceptably high. American families' budgets are being pinched. Skyrocketing gas prices, rising food prices and stagnant wage growth are making it harder for families to make ends meet. More must be done to strengthen the American economy.

Today we will discuss how we can enact additional balanced savings to further reduce the deficit, give families and businesses certainty, and protect the economic recovery.

As we do that I want this Committee to focus on three key goals.

First, job creation. Twelve million people are actively looking for work but can't find a job. An additional 8 million Americans are stuck working part-time when they would like full-time work. Job creation must be the top priority of the Administration, this Congress and this Committee.

Second, we must simplify our tax code for America's families and businesses. It has been close to 30 years since the last major overhaul of America's tax code. In that time, our world has changed dramatically.

Back then, China was our 18th largest trading partner. Now China is our second largest. And over the past 30 years, exports as a share of our GDP have nearly doubled. Our tax code is now antiquated and acting as a brake on our economy, especially when compared with our overseas competitors.

We need a pro-growth tax code that gives America's businesses the certainty they need to compete globally and plan and expand operations, instead of leaving them hoping for a continuation of temporary tax breaks.

Finally, we must make it a priority to return stability and confidence to our economy. We have to get off this roller coaster of a ride. Going from one fiscal crisis to the next is undermining our economy.

To give families and businesses certainty, we must agree on a balanced, comprehensive plan to cut the debt that includes both revenue and spending cuts. The math will not work any other way.

A long-term balanced plan will bridge the budget battles and make real progress solving our deficit problem. A balanced plan will also encourage businesses to invest, enable investors to return to the markets with confidence, and, most importantly, put Americans back to work in a growing economy.

Three experts are here today to help the Committee examine the progress of America's economic recovery as well as our economic outlook over the next decade. I look forward to hearing from each of you as you provide this Committee with the necessary insight to take on the tough challenges ahead of us.

I also hope today this Committee can complete its review of three individuals nominated to key Administration posts. I urge Committee members to support the nominations of William Schultz to be the General Counsel at the Department of Health and Human Services, Christopher Meade to be the General Counsel at the Department of Treasury, and Jack Lew to be the Secretary of Treasury.

As we will discuss today, our nation faces a number of great challenges. We need bright, talented and dedicated individuals – like these three nominees – to work with us to find solutions and ensure a better future for America.

So let us listen to the facts about our budget from these experts with us today. Then let's work together to make the tough decisions. Let us do the hard work and face the great responsibility before us. As President Kennedy understood, let us recognize that our economic progress depends on the solid ground of mutual confidence. Let us embrace this opportunity to restore certainty and get America back on track.

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