



FOR IMMEDIATE RELEASE
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**Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding the Rivlin-Domenici Deficit Reduction Plan and the Fiscal Crisis**
As prepared for delivery

President Truman once said, "America was built on courage, on imagination, and an unbeatable determination to do the job at hand."

We are here today to discuss the fiscal crisis we face at the end of this year. Overcoming this crisis is the job at hand.

We are pleased to have Senator Pete Domenici and Dr. Alice Rivlin with us. They are the co-chairs of the Debt Reduction Task Force at the Bipartisan Policy Center. In November 2010, Senator Domenici and Dr. Rivlin released a comprehensive debt reduction plan.

That plan has helped inform the debate for more than a year and a half. It has been updated. And as we approach the looming fiscal crisis it takes on new importance.

At the end of this year, our fiscal landscape is scheduled to change dramatically.

The 2001, 2003 and 2009 tax cuts, the patch on the Alternative Minimum Tax, and other key tax provisions will expire. That would cause steep tax increases on middle class families. The across-the-board sequester of many Federal programs will kick in. Medicare's physician payment system will force a deep cut that threatens seniors' access to doctors.

Sitting back and letting all of this happen would mean disaster for our economy. In fact, the non-partisan Congressional Budget Office projects it could throw us back into recession. It would doubtlessly deal a blow to our standing in the world.

During the first half of 2013, GDP would shrink by 1.3 percent. And over the entire year, GDP would grow only half a percent.

Canceling the sequester and failing to raise more revenue – maintaining the status quo – would also be disastrous. It would tell the American people and the world that we are not serious about our deficit problem.

If we do not find additional revenue and we cannot agree on spending cuts, debt held by the public would reach more than 100 percent of GDP by fiscal-year 2022.

We need a comprehensive debt reduction plan that does not shock the system with deep, immediate cuts. Instead, we need a practical, responsible plan that gives confidence to the markets and the country. What would such a plan look like?

The plan should substantially lower deficits and debt over the next ten years and beyond. The plan needs to be fair, and everyone must contribute.

The plan needs to be balanced. This will require cuts in spending. But we need more revenue to pay for America's needs. We don't just face a spending problem or only a revenue problem. It's both.

The plan must stabilize and decrease debt held by the public as a percent of GDP. The plan should ramp up slowly to allow the recovery to continue.

The plan must not count any Social Security changes towards deficit and debt reduction. Social Security has not added one dime to the deficit or debt.

Finally, the plan needs to meet the political challenges we face.

The Rivlin-Domenici plan we will examine today meets many of these criteria. It is balanced and fair. It requires both revenue increases and spending cuts.

The plan generates sizeable debt reduction. It would stabilize debt held by the public as a percent of GDP by 2014. It would shrink the debt-to-GDP ratio thereafter.

However, the plan contains some proposals that concern me. The plan, for example, does include changes to Social Security. But my judgment is that should be dealt with separately, not as part of deficit reduction.

The plan also changes Medicare to a premium-support program, and it turns Medicaid into a block grant. These proposals only shift costs onto seniors, states and the disabled. Any changes made to Medicare and Medicaid should focus on saving money by making the health care system more efficient and more focused on the quality of care.

Many of Rivlin-Domenici's tax-related changes are politically challenging. Some limit future opportunities. For example, the plan repeals all tax incentives to go to college without proposing anything in their place.

With the fiscal crisis we're facing at the end of the year, Congress needs to come together and agree on a combination of revenues and spending cuts. It's the only way forward.

So let us work together to show we're serious about our deficit problem. Let us look to the Rivlin-Domenici plan for inspiration. And let us remember President Truman's words, and "do the job at hand."

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