

Testimony before the Senate Budget Committee
Hearing on Bipartisan Process Proposals for Long-Term Fiscal Stability

By Rep. Jim Cooper (TN-05)

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Thank you Chairman Conrad and Ranking Member Gregg for inviting me to testify before the Committee today.

Speaking on such a panel of distinguished bipartisan, bicameral legislators, it's tempting to think reform is inevitable. But we all know that's not true. We have many colleagues to convince.

I believe that the greatest threat to our nation's economic security is our long-term fiscal imbalance. At the end of the 2008 fiscal year, the Treasury Department's "Financial Report of the United States Government" reported the present value of our unfunded liabilities at \$56 trillion, or almost four times the GDP of America.

2009's Financial Report will be released in about a month, and it's likely to report unfunded liabilities over \$60 trillion, having tripled in just a decade. That means for every day we delay reform, we sink \$11 billion deeper.

In my opinion, we have fiscal cancer, and it is metastasizing so quickly that, all too soon, no surgery, chemotherapy, or radiation will be enough to save us. Albert Einstein is supposed to have said that the most powerful force on earth is not nuclear power, but compound interest.

The President and Congress have acknowledged that the bulk of our budget problem is in health care. That's why both the House and Senate reform proposals make an effort to reduce the deficit now and in the future. Each contains what would be the largest nominal cut in mandatory spending in the history of the United States – \$600 billion, or over \$100 billion more than the Balanced Budget Act of 1997. In addition to reducing our deficits through health reform, however, we must also reduce the growth rate of health spending, i.e. lower or bend the cost curve downward.

Although I am not satisfied that the House bill passed this weekend meets these goals, I know that many of my Senate colleagues like you have worked to make fiscal responsibility a central focus of the debate. I look forward to working with you all to ensure that, when the President signs health reform into law, we will improve our short-term and long-term economic outlook.

As this committee knows, even fiscally-sound health reform will not be enough to bring sustainability to the federal budget. Neither will a return to strong economic growth after the

current recession has passed. Our systemic deficit problem is the product of a decade of poor fiscal policy and decades of mounting unfunded entitlements.

Put bluntly, the decision-making process in Congress has failed. So, how can we fix it? The best course is more direct spending cuts, but we all know how likely those are. The second-best solution is a top-level commission to force congressional action.

The proposal put forward in the last Congress by you, Senators Conrad and Gregg, impressed Congressman Wolf and me so much that we introduced identical legislation on the same day. We also introduced a modest variation of your proposal. H.R. 1557, the Cooper-Wolf SAFE Commission Act, to create a bipartisan 16-member panel charged with putting America back on track to fiscal strength.

The idea is for both chambers of Congress to use a fast-track process to prevent unnecessary parliamentary delays, but with substitute amendments from both parties and the President. The Commission would be made up of Members of Congress, outside experts, the Treasury Secretary and the OMB Director. In order to ensure consensus, they would hold public hearings, and any reported package would require support of a supermajority of the commission's membership.

The proposal put forward by Senators Voinovich and Lieberman is virtually identical to what Frank and I have offered. The proposal put forward by Senator Feinstein is another worthy approach to solve the same problem.

There are arguments for and against the details of the proposals before you today: having unelected members of the commission, or whether amendments are appropriate, for instance. These differences of opinion are largely tactical, but we share the same strategic vision.

Personally, I'm open-minded about the shape of the negotiating table. These details are far less important than having a prompt mandate for action.

Traditionally, for Congress to undertake anything this extraordinary there must be some action-forcing crisis. The crisis must be so obvious that even a blind partisan must admit action is necessary.

As the Chairman has shown in his opening remarks, America's fiscal trajectory has not been sustainable for many years. The financial markets – and the Chinese – have known this for a long time. Even before the recent financial and economic crises, ratings agencies Standard & Poor's and Moody's both issued projections that, without action to restore balance, United States Treasury Securities would lose their AAA credit rating as soon as 2012 and 2017, and be "below investment grade" in 15 to 25 years.

The Treasury bond is the anchor to global capital markets. If it is allowed to slip, global finance could become untethered. The economic pain of the last year will seem like a sideshow in comparison.

I am glad to announce that the vast majority of the Blue Dog Coalition in the House of Representatives has today endorsed H.R. 1557, the Cooper-Wolf SAFE Commission Act.

On behalf of my fellow Blue Dogs in the House, I tell the Senate Budget Committee today that we stand ready to work with the members of this panel, the Chairman and Ranking Member of this Committee, the leadership of both chambers, and the White House to work through any differences on the details. We must move this legislation in order to achieve our common goal of bringing sustainability to our nation's long-term fiscal outlook.

As the Nike slogan says, "Just do it."

Thank you, Mr. Chairman.