

SENATOR KENT CONRAD STATEMENT TO US HOUSE BUDGET COMMITTEE ON A  
PROPOSAL FOR A FISCAL COMMISSION ON OCTOBER 19, 2023

Chairman Arrington, Ranking Member Boyle and members of the House Budget Committee, thank you for the opportunity to talk with you about the need for a new Fiscal Commission to address our mounting national debt challenge.

As the co-proposer of the Simpson-Bowles Commission, I have a detailed experience with the structure.

The United States has the most dynamic economy in the world. Our currency serves as the world's reserve currency, which has given us wide latitude to borrow without diminishing the faith of the global market. But we must recognize that faith is not unlimited.

In the past year our deficits have increased dramatically and our national debt has reached over \$33 trillion or 122% of our GDP. A considerable part of our debt is held by foreign powers which compromises our global independence.

Our high and rising deficits and debt are an economic and national security concern. We are already witnessing the economic repercussions through heightened inflation and surging interest rates. Rising debt is damaging economic growth, slowing income increases and increasing the risk of a fiscally driven crisis.

To those who say deficits and debt do not matter, I say look to history. Ask the Germans about post WW I and the impact of deficits and debt on their economy. And look to our own history and the benefits of the Clinton Administration's balancing the budget and the economic benefits that flowed from that with record job creation, economic growth and reductions in poverty.

Of course deficits and debt matters at some point. As debt rises so do interest costs as interest rates also rise. We are already spending more on interest costs than on our children. If current trends continue, in a few short years, we will be spending more on interest than on our national defense or on Medicare.

Our three major trust funds: Social Security, Medicare and Highways are within ten years of insolvency according to their trustees. If we fail to act, Social Security recipients will face a 24% cut by 2033. Tell them then that deficits and debt don't matter.

Our national debt is very close to reaching a record level as a share of our GDP. We already have a gross debt of over 122% of our national income. We need to act now. Unfortunately, our current political system seems ill equipped for the challenge. The parties are too divided, the special interests too strong and the incentives to attack whoever proposes solutions that entail sacrifice too inviting.

Fortunately, there is an alternative. A Fiscal Commission can help create a setting for Democrats, Republicans and Independents to work together to address our nation's fiscal and economic challenges.

Commissions have worked in the past. The Greenspan Commission helped save Social Security from insolvency 40 years ago and the BRAC commissions helped improve our military efficiency and preparedness and Simpson-Bowles, which I served on, helped bridge budgetary log jams at the time.

It's true, our 2010 proposals were not fully adopted. But we put forward a comprehensive plan to fix the debt with a bipartisan vote of 11 of our 18 members. That plan had a major impact on the Budget Control Act of 2011. Many of our proposals, from discretionary spending caps to various premiums and user fees, were ultimately put into law.

The strength of commissions lies in their ability to bridge partisan divides, offering a platform for working together to solve problems. To be effective, a commission must start by putting everything on the table.

Let me be clear, when I say everything must be on the table, that means everything including entitlements and revenues. Realistically, we have to recognize we cannot fix this problem without fixing Social Security, Medicare and our revenue system. We have kicked these cans down the road for far too long. One thing that is clear, the longer we wait, the more draconian the solutions will have to be. That is a mathematical certainty.

It must also be truly bipartisan. The Simpson-Bowles Commission included sitting Members from both chambers and parties and outside experts. Recommendations should be given the assurance of an up or down vote.

We are at a critical juncture in our economic future where a commission may be our best opportunity to get back on track. Our partisan divide appears as intractable as our fiscal landscape is unsustainable. But all parties can be part of the solution. A bipartisan commission is perhaps our most promising opportunity to secure a stable fiscal future for our nation and ensure we do not leave future generations with insurmountable burdens. Thank you for holding this important hearing, and I look forward to your questions.