A Hearing Before the Joint Economic Committee
"Flirting with Disaster: Solving the Federal Debt Crisis"

Opening Statement of Senator Dan Coats (R-IN)

- I would like to thank Chairman Brady and Vice-Chairman Klobuchar for holding this hearing on a subject of the most vital importance for our nation's economy and, indeed, our national security: the ever-growing federal debt.

- Our spending addiction in Washington has, at long last, led us to the point where we now face the prospect of record deficits as far as the eye can see, a spiraling federal debt that now exceeds $16 trillion, and the possible *further* downgrading of the credit rating of the United States. Were interest rates not artificially held down by the Fed at historically low levels, we might already be facing our day of reckoning. According to the Congressional Budget Office, even a one percentage point increase in interest rates would add $1.1 trillion to the United States' debt over ten years. And that new debt would occur without any changes in spending or taxes, so individuals would have no more money in their pockets and the government would not be spending any more—interest rates would simply drive our debt out of control.

- The fact is that Congress and the Executive branch have utterly failed to address the debt crisis effectively. Temporary stopgap measures, such as the recent suspension of the debt limit for four months, don't solve anything—they simply put off the inevitable day of reckoning. Despite the hype, the supposedly "massive" sequester cuts will do little to improve the long-term fiscal condition of our nation. According to the Bipartisan Policy Center, these arbitrary, poorly-designed budget cuts will merely delay our national debt reaching 100 percent of GDP by *two years*.

- Eventually, we will reach a point where investors either stop buying our debt or insist on higher interest rates to account for their greater risk, potentially triggering a crisis of confidence. We do not know when that tipping point will be, but if you look at our total government debt as a percentage of GDP compared with some nations that have *already* reached that tipping point and gone into full-fledged fiscal crisis, it is cause for serious concern. We all know that we are going to have to make the tough spending choices that we've been avoiding for years, or we are going to face a debt-induced catastrophe that will make the economic downturn we experienced a few years ago look minor by comparison.
- Many experts believe that our failure to seriously grapple with our ballooning national debt is *already* having a significant detrimental impact on economic growth. They understand that a mounting debt will one day need to be paid for with either higher taxes or reduced benefits. Our failure to deal with our spending addiction and long-term debt has created a cloud of economic uncertainty that suppresses consumer confidence. It's causing investors to remain on the sidelines and preventing business owners from hiring new employees. Our refusal to address out-of-control deficit spending is like a foot on the neck of the economy.
- We all know—or we ought to know—that our current path is unsustainable. Academics, economists, business leaders, and even the bi-partisan Simpson-Bowles Commission established

by the President all repeat the same thing: unless we make the tough spending choices that we've been avoiding for years, we are going to face a debt-induced catastrophe. It is only a matter of time, and the clock is running down.

- There is widespread agreement that the only way to get our long-term debt under control is to tackle the difficult problem of soaring mandatory spending. According to the Simpson-Bowles Commission Report:

  > By 2025, revenue will be able to finance only interest payments, Medicare, Medicaid, and Social Security. Every other federal government activity—from national defense and homeland security to transportation and energy—will have to be paid for with borrowed money. Debt held by the public will outstrip the entire American economy, growing to as much as 185 percent of GDP by 2035. Interest on the debt could rise to nearly $1 trillion by 2020. These mandatory payments—which buy absolutely no goods or services—will squeeze out funding for all other priorities.

- The plain fact is, in order to make a real impact on the deficit and the federal debt, we need to go big and go bold. In addition to discretionary spending reforms, we need real action on reforming our mandatory spending. Medicare, Medicaid, Social Security, and ObamaCare are projected to outstrip all tax revenue. There simply won't be enough money to spend on anything else.
- We won't have enough to cover our commitments to seniors either. In America, we have always prided ourselves on fulfilling our commitments to future generations, but our failure to act now all but ensures drastic cuts to Medicare and Social Security beneficiaries in the future.
- Today's hearing presents us with an opportunity to find common ground in tackling these difficult issues. We will hear about a

number of different approaches to tackling our long-term debt problem and explore where there is agreement and where there is disagreement. I look forward to the testimony of the expert witnesses we have assembled here today to address the question of how we go about solving our federal debt crisis.