

WASHINGTON, DC - Congressman Steny H. Hoyer (MD-5) delivered a speech today on the need to continue working on a comprehensive deficit reduction plan, hosted by Third Way. Below are his remarks as prepared for delivery:

“Good morning. I want to thank Third Way for hosting this event and for continuing to be a leading voice for responsible fiscal policy in Washington.

“Our economy is in recovery: we’ve seen 10 quarters of growth in GDP; 3.6 million private sector jobs added in the past 23 months; the Dow, Nasdaq, and S&P all up at least 90% since March of 2009, and unemployment down from a high of 10% in 2009 to 8.3% today. We should be proud of the progress we’ve made so far, but we still have a long way to go.

“Our number one priority must continue to be creating jobs and setting our economy back on a course toward sustainable growth that creates opportunities for our middle class. Federal Reserve Chairman Ben Bernanke told the House Budget Committee earlier this month that growth must take precedence over deficit reduction. I agree. However, putting our fiscal house in order by reining in deficits and getting our debt under control is a critical part of ensuring sustainable economic growth, and so it is essential for us to have a plan to reduce deficits once the economy has further recovered.

“Our deficits and debt present us with a clear and present challenge. We’ve seen the record surpluses of the late 1990’s disappear, replaced by record deficits and a debt that has become – in the words of former Chairman of the Joint Chiefs of Staff, Admiral Mike Mullen – ‘the most significant threat to our national security.’

“Today I want to discuss the critical objective of returning our nation to a sound fiscal path and why I believe we ought to be working on it now and not waiting until later. Contrary to what some believe, we cannot afford to set this work aside. I’m here to give urgency to the pursuit now of an agreement designed to achieve fiscal sustainability over the long term. We can’t wait, and I will lay out my reasons why.

“As I said two years ago: ‘our problem is structural – the product of a generation’s worth of easy decisions. Our problem is not about the short term. ...It’s an excellent measure of someone’s seriousness to see whether they ...face the real danger to our future – the structural deficit.’ I noted then that deficit reduction will not come from sound bites and gimmicks; we will need serious action that rejects dogma and embraces compromise. Two years and several missed opportunities later, my view hasn’t changed – our need to act has only become more urgent.

“The CBO’s long-term fiscal outlook presents an alarming future. Under the more realistic but entirely unacceptable scenario, Congress makes permanent the Bush tax cuts, Medicare physician payment rates remain flat, and politically-easy policies remain unchanged. Should that occur, our external debt-to-GDP ratio would rise from 70% today to 190% by 2035. If internal debt is taken into account, we’re already at 100% of debt-to-GDP today.

“Even accounting for the economy recovering and continued belt-tightening as directed by the Budget Control Act, our debt will still begin to crowd out everything else in the budget.

“That’s why President Obama’s budget seeks to stabilize our debt through a combination of revenue increases and careful spending cuts. It is projected to save \$5 trillion over ten years. Nevertheless, House Budget Chairman Paul Ryan was critical of it on Meet the Press recently, claiming it to be full of gimmicks that wouldn’t substantially lower the debt. In fact, the gimmicks he points to are contained in his own budget, which allows debt to rise 60% over the next decade - largely because it refuses to acknowledge what Bowles-Simpson and others made clear: revenue must be part, though not all, of a balanced solution to our debt.

“There is, I believe, a fundamental difference in philosophy between the parties when it comes to how we view revenues. The Republican position holds that we don’t have to pay for tax cuts. Democrats believe that tax cuts have to be paid for, with the exception of temporary measures designed to stimulate the economy.

“This same Republican attitude is evident in the budget proposals of their presidential candidates. According to a new study last week by the Committee for a Responsible Federal Budget, three out of the four would increase the deficit substantially over the next ten years. Only Ron Paul’s budget wouldn’t do so, and that’s only because his plan virtually eliminates much of the federal government. Despite their calls for severe reductions to spending, the other

three candidates' unfunded tax cuts would outweigh their savings by trillions.

“We ought to be honest about the costs of cutting taxes, and we must do better than just taking the politically easy route. For deficit reduction, we need something bold – and yes, something that will be difficult but worthwhile to achieve.

“I am not the only one in Congress who shares this view. Last year, while the Joint Select Committee on Deficit Reduction was meeting, I helped lead – along with a Republican, Mike Simpson, and a Democrat, Heath Shuler – a bipartisan letter from a hundred House members – sixty Democrats and forty Republicans. We told the members of that Committee to ‘go big’ and that – and I quote: ‘To succeed, all options for mandatory and discretionary spending and revenues must be on the table.’

“Many of us looked to the findings of the Bowles-Simpson and Domenici-Rivlin Commissions, along with the Senate Gang of Six, as a framework, and I believe there is still broad consensus that, ultimately, any comprehensive plan will resemble these proposals, which called for a balance of cutting spending and raising revenue.

“Our tax code is complicated, contradictory, and extraordinarily inefficient. We need comprehensive reform. Such reform should greatly simplify filing, facilitate ease of compliance, eliminate disparities in treatment, and – yes – raise additional revenues while bringing down rates and reducing preferences.

“A willingness to reach a comprehensive deficit reduction solution will also mean taking a serious look at the sustainability of our entitlements while ensuring that the most vulnerable among us are protected.

“I was deeply disappointed that the Joint Select Committee could not reach an agreement, even knowing that there were large groups in each party and each chamber ready to support what it produced. I worked behind the scenes to urge an extension of its mandate so discussions could continue. Unfortunately, another opportunity was wasted. Now, we are facing the prospect of a painful sequestration.

“Simply walking away from sequestration would be waving the white flag in the face of CBO’s projection of a dismal fiscal future. However, sequestration remains an irrational response. It was the blunt instrument established to force both sides to the table and keep them there. It is not a solution in itself. Sequestration should have provoked compromise and fiscal common sense. Unfortunately, it did not.

“It should be replaced – but replaced only by the kind of big, balanced solution the Joint Select Committee was supposed to have produced.

“A number of Republicans have launched a campaign to repeal the defense sequester but leave non-defense cuts intact. This means relying only on cuts to domestic spending – which will unfairly burden the middle class and working families. Simply eliminating any part of the sequester is an idea that ignores the point of having created it in the first place. At the same time, this is a perfect example of why sequestration was established: it ought to remain a painful reminder of our failure to compromise and a powerful incentive to do so. We must see it for what it is – a mutually assured deterrent to inaction.

“The sequestration also reflects the reality that deficit reduction will require contributions from everyone. Many Americans have already tightened their belts. Federal employees have received freezes in cost of living adjustments that contributed \$60 billion toward bringing down our deficits, and new employees will now have to contribute more to their pensions, reducing the deficit by another \$15 billion. No single group of individuals, though, should be asked to contribute without everyone being asked to do so.

“Recognizing the seriousness of our debt challenge, Democrats have reached out to work with Republicans on a comprehensive deficit reduction package. In 2010 the President convened the Bowles-Simpson Commission, and 2011 continued with talks led by the Vice President that brought House and Senate leaders – Democrats and Republicans - and the Administration to the table to flesh out what we hoped would be a workable solution. Efforts continued into the Summer with discussions led by the President during the debt ceiling and default crisis and into the Fall with the Joint Select Committee on Deficit Reduction. The fact that none of these efforts led to a comprehensive agreement is further evidence of the difficulty of this challenge.

“That’s why we all must be committed to continuing this dialogue and working toward agreement. All options must remain on the table. There is no alternative, and we must do what’s right for our country, even when it requires hard choices.

“We have a constitutional duty and a moral duty to the American people not to walk away. We must refuse to play the politics of delay when action is urgently required.

“As I said earlier, we must not wait for the next election, and we must not wait for things to get worse for our budget, for American businesses, and for American families.

“There is never a time when the next election is not looming before us – never a moment when we are free from the constraints of our politics. It is not going to get easier to reach an agreement. In fact, it will only get more difficult as time passes and our debt grows.

“That’s one reason why I will keep pushing to reach an agreement before November – and why everyone concerned about our debt ought to do so as well. The conventional wisdom in Washington is that our window for reaching a solution is after the election, during a lame-duck session. By then, we’ll know the shape of the 113th Congress, feel the pressure of the looming sequester, and once again confront the expiration of the ’01 and ’03 tax cuts. That’s where people – including many in this room – see a leverage point for making progress.

“But the action necessary to reaching a solution requires bipartisan support and a sharing of responsibility for the tough decisions that must be made. The shared power that now exists provides a unique opportunity to build on the dialogue both sides began last year.

“We are also aware that we can’t always choose our own calendar. All too often, it chooses us. In a speech to the Committee for Economic Development last year, Honeywell CEO Dave Cote, who served on the Bowles-Simpson Commission, made this point well. He said – and I quote: ‘Something will happen here, and it will be one of two ways. The first is to do it thoughtfully and proactively the way a great nation should. The second is to wait until the bond market forces us to do it, like Greece did. ...The faster we act, the less painful it will be for everyone.’

“That’s why the debt crisis facing Europe right now should serve as both a lesson and a warning. The real issue facing us is whether we can avoid being caught off guard in April or September should the effects of Europe’s crisis wash across the Atlantic. It’s whether we can start working on a solution now so we’re not unprepared should that occur.

“That’s why we can’t wait until after the election. We must continue working on a big, bold, and balanced deficit solution now.

“We need to look seriously to the framework of Bowles-Simpson and others as a guide and make sure talks take place. It is incumbent upon us to build on the efforts of the bipartisan group of one hundred House members I spoke of earlier.

“There are ongoing efforts as a result of having formed that group in the fall. Members of both parties and on both sides of the Capitol are working to ensure that the next time we find ourselves at an impasse, we will be ready – with a legislative package in hand – to address our debt and deficits in a comprehensive, long-term way.

“These Members understand that a comprehensive deficit reduction agreement would restore faith in our credit and in our institutions of government. It would show the American public that our country is on the right track again. Internationally, it would demonstrate that America can lead not only on issues of global security but also lead by example in exercising much-needed fiscal responsibility.

“Furthermore, I believe it would also provide the biggest single stimulus to the economy we could achieve. Setting our economy back on a sustainable, predictable fiscal path will help us create jobs by restoring certainty for businesses and enabling them to plan for a future without the brinksmanship that has characterized this Congress. Without certainty, businesses can only focus on the short-term, which leads to missed opportunities for growth and fewer investments that have wider economic benefits. There is over \$2 trillion in cash being held on corporate balance sheets just waiting for the right time – just waiting for a restoration of confidence – to put that money back to use growing the American economy. A comprehensive agreement on our fiscal future would, I believe, restore the atmosphere of fiscal calm needed for businesses to unleash their capital to great effect.

“Democrats must be ready to do our part. But those of us who are still pushing Congress to ‘go big’ can’t do it alone. There needs to be pressure from all sides on those who have the power to make a deal. They need to feel it. They need to know they’ll be supported.

“We need opinion-makers from both sides to add to the sense of urgency everyone in Washington ought to feel, much like Andy Stern and David Stockman did when they wrote the following in a recent op-ed: ‘This country needs a deal. We need to fix our busted budget system, revamp our broken tax code and reform our Social Security and health care programs so that citizens who depend on them can count on them.’

“An old proverb says: ‘good judgment comes from experience, and experience comes from bad judgment.’ We’ve learned hard lessons over the past thirty years. We’ve gained much experience, and we ought to translate that into good judgment when it comes to fiscal policy. And good judgment tells us that our challenges are too great to be faced with division or pushed off until tomorrow. One party isn’t going to get us out of this, and it won’t be done by waiting for another election to pass. It will require compromise by both political parties – and contributions from all Americans.

“Turning our deficits around and getting America back on the right track won’t be easy, but – then again – important steps are never easy. I pray that we can summon the political courage and will and wisdom this challenge requires of us. America’s future and the quality of life for our children and future generations depends on it.”