

Opening Statement of Chairman Ron Johnson

"Understanding America's Long-Term Fiscal Picture"

July 9, 2015

As submitted for the record:

Good morning and welcome.

Today's hearing is the first in a series that will focus on describing and defining America's long-term fiscal situation. Over the past week, the world has watched the inevitable next step unfold as Greece is forced to come to terms with the fact that the government benefits promised to Greek citizens exceed its government's ability to pay. No one can predict the end result, but almost everyone admits that Greece's current welfare model is "unsustainable."

"Unsustainable" is a word we have consistently heard from multiple government officials and financial experts in congressional hearings as they describe America's current fiscal path. Few would argue that the current fiscal path is sustainable, and yet very little has been done to address our long-term financial problem. Why?

One reason is that basic human nature often leads to procrastination and the avoidance or denial of unpleasant realities. People prefer to be optimistic and tend to convince themselves that somehow they will be able to conjure up some way out of a bad, or even impossible, situation.

This kind of "can do" attitude is admirable when it results in real solutions. It can be disastrous if it prevents us from taking the first step in solving any problem, which is actually admitting we have one.

Another reason is that for decades, the professional political class has not been honest and forthright with the American public. How many times have we heard – on a bipartisan basis – that Social Security is financially solvent until the year 2033? That may be considered true if we isolate the Social Security trust funds from the federal government as a whole. But it is misleading at best: the trust funds' Treasury bond assets are an offsetting liability to the U.S. Treasury, with a net financial value to the federal government of exactly *zero*.

Or how about statements by the president of the United States that Medicare "only requires modest reforms"? The Urban Institute shows that for every dollar that gets paid into the Medicare systems, three dollars get paid in benefits. As a result, and as we will show today, over the next decade, Medicare is projected to pay out \$34 trillion more in benefits than it takes in through payroll tax revenue. When the facts are known, I think most Americans would agree with me that Medicare needs far more than "modest reforms" if it is to be saved for future generations without further mortgaging our children's future.

And that is the objective of today's hearing. What facts must be known, and how do we make those facts as understandable and indisputable as possible to the American people?

As much as I appreciate the Congressional Budget Office's work at developing and publishing long-term financial projections, the fact that so few Americans truly understand the depth of our financial predicament provides strong evidence the information the CBO provides is neither adequately understandable nor effectual. That must change. It is critically important a respected nonpartisan agency be able to accurately describe the depth of our fiscal challenges so voters and policymakers can make fully informed decisions.

To that end I have developed a one-page financial statement for the federal government, as well as the relevant definition and time frame of our 30-year demographic challenge. I offered, and obtained unanimous support for, two amendments to the FY2016 federal budget resolution requiring CBO to provide this information in its published reports. Some progress was made, but more work needs to be done to accomplish the stated objective. I look forward to Director Hall's testimony and will enjoy working with him to provide the American people this important information in a more understandable and relevant format.

###