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REINTRODUCTION OF THE SAFE COMMISSION

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OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

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Mr. WOLF. Madam Speaker, few are willing to admit—much less discuss—the looming financial crisis facing our country, but there is less than 1 year until the first baby boomer is eligible to retire.

On Wednesday, January 10, the Washington Post included an op-ed by Robert Samuelson which paints a poignant picture of the generational conflict approaching on the horizon. He makes a compelling case for why it is critical that Congress take action now to address the financial emergency facing the Nation with the retirement of the baby boomers.

That is why on Tuesday, Senator GEORGE VOINOVICH and I will reintroduce identical legislation to establish a national bipartisan commission that will put everything—entitlement benefits and all other Federal programs as well as our tax policies—on the table and require Congress to vote up or down on its recommendations in their entirety, similar to the Base Realignment and Closure Commission (BRAC) first created by former Rep. Dick Armey in 1988. This commission would be called the SAFE Commission, to secure America's future economy.

I first introduced the idea of the SAFE Commission last summer. Since that time, the proposal has received strong support from across the political spectrum including the Heritage Foundation; the Concord Coalition; former congressional members from both sides of the aisle; and former Congressional Budget Office directors. It has been favorably endorsed by newspapers across the country, including the Dallas Morning News, the Orlando Sentinel and syndicated columnist David Broder.

There is near universal agreement that the longer we wait to deal with this problem, the tougher the medicine will be to swallow. As a father of five and grandfather of 12, the challenge posed by the pending retirement of baby boomers strikes me as much more than a routine policy discussion. Without action, just what kind of future are we leaving to our children and grandchildren?

My youngest grandchild is just 10 months old. By the time she is 15 years old, 29 cents out of every dollar paid in income taxes will be required to cover the needs of Social Security and Medicare to pay for my retirement. That's not including payroll taxes of almost 15 percent.

By the time she completes her undergraduate degree, more than 45 cents out of every dollar of income taxes then will be needed to cover the shortfall of Social Security and Medicare, rising to 62 cents out of every dollar if she decides to get her doctorate 10 years later. Again, this is on top of payroll taxes.

Sadly, before she retires—and looks into the eyes of her own grandchildren—retired baby boomers will be consuming 88 percent of every income tax dollar. With the baby boomers consuming so much, there will be little money left to meet the needs and challenges of her generation. Not only is this unacceptable, it raises serious moral questions. Is it right for one generation to live very well knowing that its debts will be left to be paid for by their children and grandchildren?

Abraham Lincoln, one of our Nation's greatest presidents, once said, "You cannot escape the responsibility of tomorrow by evading it today." Yet that is precisely what we have been doing—avoiding our responsibility to future generations of Americans by passing on a broken system in the form of unfunded Social Security, Medicare and Medicaid obligations.

I deeply believe there is a moral component to this issue that goes to the heart of who we are as Americans. By that I mean, I wonder if we have lost the national will to make tough decisions that may require sacrifice? Moreover, have we lost the political courage to reject the partisan and special interest demands and do what is best for our country?

If we remember the legacy we have inherited, the debt we owe to previous generations—our grandparents and our parents and the sacrifices they made to make our country what it is today—we all will be moved to do our duty. The SAFE Commission should be embraced by both sides of the aisle. I am open to suggestions about the legislation from members of both parties. This is a national issue; not a Republican issue or a Democrat issue.

Last spring I took a trip to Antietam National Battlefield. As I walked along "Bloody Lane," the site of one of the most vicious battles of the Civil War, I was struck by how many individuals made the ultimate sacrifice.

September 18, 1862, was the bloodiest single day in American history. There were more than 23,000 casualties, nine times as many Americans killed or wounded in World War II's D-Day on June 6, 1944. More soldiers were killed and wounded at the Battle of Antietam than the deaths of all Americans in the Revolutionary War, the War of 1812, the Mexican War and Spanish-American War combined.

I also visited the site of George Washington's crossing of the Delaware River in anticipation of the Battle of Trenton. Washington was down to only 3,000 soldiers and the war was almost lost. Yet, with great courage—and sacrifice—Washington and his forces were successful in changing the direction of the American Revolution.

I often think of the tremendous sacrifice being made by the thousands of men and women serving today not only in Iraq and Afghanistan, but around the globe. Their families here at home are also making great sacrifices. These examples of sacrifice for country are what led me to ask just what are we passing on to those who are coming after us?

In less than a year, the baby boom generation will begin trickling into retirement. A few years later, that trickle will become a flood that within five more years will become a tsunami that will begin to wreak havoc on our Social Security and Medicare systems. Medicare, Medicaid and Social Security consume 40 percent of the budget in 2006, but will consume 51 percent by 2016—and that is just the tip of the demographic iceberg.

As we tragically learned the lesson of Katrina in New Orleans, the best time to deal with a damaged flood wall is before the rains begin. Make no mistake; the levies that are our country's entitlement systems can only be plugged for so long. Without major repair and a long-term fix, we are facing a financial perfect storm like never before.

There is near unanimous agreement by all who have looked at this issue: Social Security and Medicare are amassing huge deficits and are ill-prepared for the coming flood of new baby boom retirees. When our retirement security programs like Social Security and Medicare were established, the ratio of workers supporting each retiree was more than 10 times the number supporting retirees today. In 1945, there were 42 workers for each retiree. Last year, the ratio dropped to three workers for each retiree and is expected to drop to just two workers for each retiree by 2030.

Perhaps even more troubling than the Social Security projections are those for Medicare. By 2010, the trust fund expenditures are projected to exceed annual income from all sources and the reserves will be depleted by 2018, 11 short years from now. According to the trustees, "Medicare's financial outlook has deteriorated dramatically over the past five years and is now much worse than Social Security's."

This coming crisis demands our immediate attention. While there is never a convenient time to make hard decisions, the longer we wait, the more dramatic the required remedy will be. According to the Government Accountability Office (GAO), balancing the budget in 2040 necessitates one of two alternatives: cutting total federal spending by 60 percent or raising federal taxes by two and a half times today's level. Either of these options would devastate our economy. But if we can summon the resolve to begin these difficult conversations now—and make some hard choices on the front end—we can change our current course.

Basic economics underscore the dangers inherent in our current national trends. America is living on borrowed dollars and borrowed time. U.S. spending is outpacing income growth and personal savings rates have dropped to negative 1.3 percent in the first quarter, meaning that U.S. consumers are spending more than 100 percent of their monthly after-tax income.

In spite of this, our economy has remained strong, in large part because other countries have been willing to buy our debt. But bor-

rowing hundreds of billions of dollars from countries like China, Saudi Arabia, Japan, South Korea, and others puts not only our future economy, but also our national security, at risk. More than $2.6 billion a day is needed to fund our savings shortfall, which has left us with nearly 40 percent of our domestic economy in foreign hands.

As our fiscal deficit balloons, our current account deficit is projected to hit historically unprecedented highs, and our country's net investment position abroad is eroding rapidly. While the Asian Central Banks and petrodollar countries like those in the Middle East have no doubt contributed to our country's growth (the housing boom and the ability of U.S. consumers to spend), the purchase of U.S. securities by foreigners has, at the same time, enabled us to live way beyond our means.

This makes our country—and our children and grandchildren—much more vulnerable in the future. Will a geopolitical dispute with a major oil exporter cause it to stop funding our deficit, resulting in a sharp drop in the dollar, a spike in interest rates and a market meltdown?

If foreigners lose faith in the U.S. and our ability to put our own fiscal house in order, their investment decisions could send shock waves through our financial markets and even result in a collapse of U.S. real estate prices. If we don't address this issue, higher interest rates and inflation are inevitable. It would be only a matter of when and how high. If we don't change our current unsustainable path, our future economic growth, standard of living, and even our national security may be at risk.

Our children and grandchildren deserve a future that will allow them to respond to the challenges of their generation. Who could have predicted, even 10 years ago, that today our Nation would be engaged in a global war on terror. Each generation faces its own international threats, and we have an obligation to ensure that future generations have the flexibility to respond to the challenges of their time.

If current policies are left unchanged, in as few as 33 years and in no more than 40 years, there would be no discretionary money left for defense spending. All federal revenue would have to go to only four sources: Medicare, Medicaid, Social Security and interest on past debt.

In addition to international considerations there are domestic factors. Getting our financial house in order will allow us to prioritize spending in areas such as cutting edge medical research for cancer, Alzheimer's and autism, and for education, particularly in mathematics and science, which are critically important to America's remaining the world's leader in innovation and technology.

It is with the hope of building consensus on this very difficult issue that I am offering legislation to set up a bipartisan commission charged with evaluating the scope of our fiscal problem and recommending tangible solutions. One of the most critical responsibilities of this panel will be explaining the crisis we face and listening to the American people about how to get the country back on sound financial footing. It will also develop a strategic plan for the future. It will look beyond the Beltway for solutions, holding at least 12 town meetings—one in each of the Nation's Federal Reserve districts—over the span of 12 months in order to hear directly from the American people.

The SAFE Commission will be truly bipartisan—comprised of 16 voting members, four appointed by the Senate Majority Leader, three by the Senate Minority Leader, four by the Speaker of the House, and three by the House Minority Leader. Four of the 14 congressional appointments must be sitting members of Congress. Additionally, the director of the Office of Management and Budget as well as the secretary of the Treasury will serve as voting ex-officio members. The Congressional Budget Office and the Comptroller General of the United States will be appointed as non-voting ex-officio members of the commission to lend their expertise. The president will appoint bipartisan co-chairs from among the 14 voting members appointed by Congress.

I have heard criticism that such weighty decisions on the Nation's financial future are the responsibility of Congress. I couldn't agree more. The SAFE Commission has two provisions to protect congressional prerogatives. First, of the 14 members appointed to the commission, four must be sitting members of Congress. Second, if Congress takes on the task and enacts significant legislation aimed at addressing this looming crisis, the SAFE Commission would terminate and cease to exist.

The group will comprehensively review entitlement benefits, patterns in savings and insurance for retirement, tax policies and the long-term implications of increasing foreign ownership of the U.S. Treasury. But given the enormity of the challenge, the commission needs to be able to look at every component of our fiscal policy to fairly assess where we stand and how we can best move toward a sound fiscal future. Everything must be on the table. As a fiscal conservative, I believe that the economy grows when people keep more of their hard-earned money, and my voting record reflects this belief.

The SAFE Commission is tasked with addressing tax issues as well as spending policies because current law puts us on a track to sharply higher taxes as well as spending. If the current tax cuts are sunset, then beginning in 2011, taxes as a percent of GDP will jump and then rise each and every year to nearly 20 percent of GDP in 2016, less than 10 years from now. After that they will keep on growing to record levels, hitting over 23 percent in 2046. This happens because rising incomes push Americans into both higher brackets and into the alternative minimum tax (AMT). Yet even extending the tax cuts will shave only one percentage point off these rising numbers.

Americans need to understand all the numbers to avoid the grim default of a rising burden of taxes and spending that will damage our economy. I believe that having revenues as part of the discussion, as one of the areas of reform for the SAFE Commission, will help us paint the full picture and help us confront the tax increases that the country faces in the coming years under current law.

In looking at revenues, I believe reform of the tax code must help simplify the system and stimulate increased economic growth and thereby tax revenue. The late William Simon, who served as Treasury secretary under presidents Nixon and Ford, believed "the United States should have a tax system, which looks like someone designed it on purpose."

The IRS estimates Americans spend 6.6 billion hours per year filling out tax forms including 1.6 billion hours on the 1040 form alone and nearly $200 billion on tax compliance. That amounts to 20 cents of compliance cost for every dollar collected by the tax system.

Shouldn't we have a system that people understand? One that encourages faster growth in business formation, jobs, family income and tax revenue? A simplified tax code also could help increase the personal savings rate, which went negative for the first time since the Great Depression earlier this year.

The SAFE Commission legislation provides an opportunity to simultaneously address the likely tax increases that middle class Americans are projected to face and the explosion in entitlement programs. It does this by focusing on reform. The legislation provides an opportunity to reform the tax code in ways that generate more rapid growth. We know from the recent revenue figures that tax policies that spur growth also bring in needed revenue. And the legislation also tasks the commission with exploring entitlement reforms that protect safety net programs while reining in total costs.

After spending 12 months conducting town meetings around the country to determine the scope of the problem and consider solutions, the commission will present to Congress a report describing the long-term fiscal problems, public suggestions and views expressed during the town meetings and policy options available to ensure federal programs and entitlements are available for future generations.

With a bipartisan three-fourths majority vote, the commission will send to Congress a legislative package to implement the commission recommendations no later than 60 days after the interim report. The administration and Congress will have 90 additional days to develop actuarially equivalent proposals to achieve the same cost savings. Essentially, no later than 16 months from the organization of the commission, Congress would be required to vote—up or down—on each proposal.

For example, if the commission's report is delivered on January 1, 2008, then the commission's legislative package would be due by March 1, 2008, and any alternative developed by Congress or the Administration would have to be presented by June 1, 2008.

All proposals must include a 50-year CBO score in addition to disclosing any impact on future federal liabilities. If more than one proposal receives a majority, the one garnering the greatest number of votes would prevail.

I have put in the legislation procedures for expedited consideration of the commission's legislation to ensure that the Congress acts. I do not want this to simply be another blue-ribbon commission whose findings end up on a bookshelf somewhere only to collect dust and never be acted upon.

I look forward to working with my colleagues to enact this legislation. I also welcome a forthright national dialogue. Only by working together in a truly bipartisan manner will we be able to secure America's future economy. I believe most Americans will welcome it as well, especially considering we all want what is best for our children and grandchildren.

I will close with the cautionary words of George Washington's 1796 farewell address: "We should avoid ungenerously throwing upon posterity the burden of which we ourselves ought to bear."