Opening Statement of Chairman Paul
FSO Subcommittee Hearing: *The Effect of Borrowing on Federal Spending*
March 29, 2017

I call this hearing of the Federal Spending Oversight Subcommittee to order.

Two weeks ago today, the federal government reached its credit limit. As a nation, we owe almost $20 trillion, which is about $60,000 for each American alive today, including children.

Yet, we are told $20 trillion is not enough, that sometime soon Congress will be asked to increase our borrowing limit yet again.

That is what we want to explore here today. What is our debt situation, how it impacts our budget, and how should we respond?

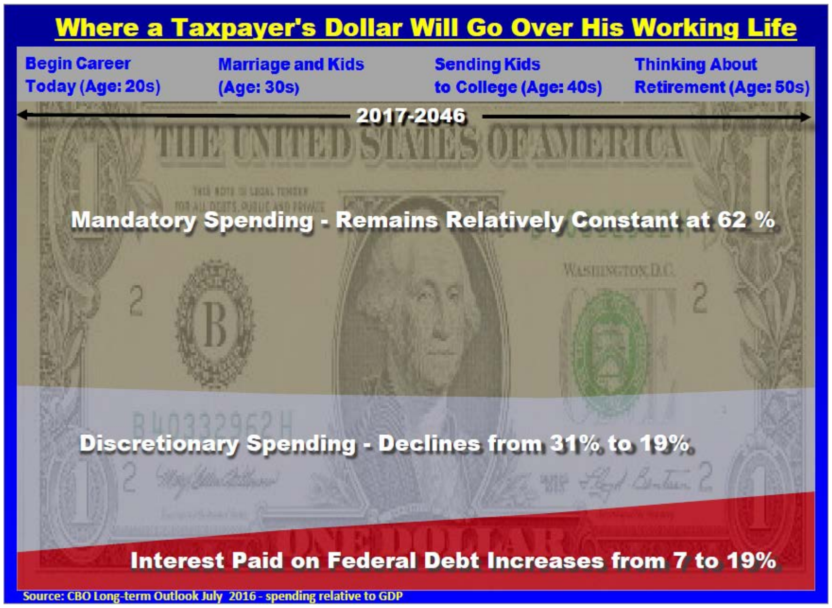
Some argue raising the debt limit should be a routine vote; that any debate or amendment suggests the possibility of default and that is dangerous. I do not want to default, but I think it is proper for Congress to periodically approve more borrowing and not without making necessary reforms.

I also want to note, that on a monthly average cash flow basis, the federal government would be able to pay interest on the debt, salaries for our troops, social security, and much more. In fact, on an annualized basis we can fund 86 percent of the government without net borrowing. So, default is not necessarily unavoidable if the debt limit is not raised.

Some scholars argue we shouldn't worry; we don't really need to ever pay back our debt. Keynes said not to worry about the long run because in the end we'll all be dead; other have argued debt can be stabilized or simply inflated away.

I don't share these view, but even for those who do, the one thing we cannot outlive or inflate away is interest on the debt. This year alone, we will make $295 billion in interest payments. That is more than we will spend this year on seven cabinet departments, The White House, Congress, and the Courts, – COMBINED.

More concerning is how ongoing deficits mean interest will consume more and more of our budget in the years to come. I want to draw your attention to this chart; it shows the share of federal spending that goes to interest on the debt, discretionary spending, and mandatory spending over the next 30 years. That spans roughly a typical worker's career.



What we see is shocking. Today the American worker sees roughly 7 cents of their tax dollar go to interest and 30 cents to discretionary spending. But by the time a recent graduate today is near retirement, interest and discretionary spending will be taking an equal share of their tax dollar, roughly 19 cents each.

Of course these are ratios, we'll be spending more overall in 30 years; but the point is still clear, under the current course, interest will progressively squeeze out discretionary spending.

So, what do we get for interest, what are we trading defense and education spending for? Nothing, not one hour of work, not one sticky note.

We always hear spending today is an investment, or that cutting anything is too devastating. We hear that from both the right and the left, and we're always told we'll be fiscally responsible tomorrow.

What kind of investment is that? The reality is, tomorrow we won't have a choice, there will be cuts. When Congress spends money it does not have today, it means in the near future, we will be less safe and less educated. Not for children and grandchildren, but for people – adults - in the workforce today.

We simply cannot continue to keep racking up debt. Yet, just two months ago I proposed a budget that balanced in 5 years without touching Social Security and without an actual spending cut. Yet only 14 senators had the courage to vote for that budget.

So that brings me to my last point. Doing the right thing is hard and often not politically expedient.

Congress rarely makes simple but unpleasant choices, which means we end up facing difficult and unavoidable, catastrophic problems. We only act when circumstances force us to.

That is why the debt limit is important. It is our internal credit limit, not that of our creditors. It is an opportunity to reassess our spending, and ask, "how did we get here, and what do we do?"

Answering those questions as part of past debt limit debates have spawned most, if not all major federal fiscal process reforms. The most notable example is 1974 Budget Act, which came to be as the result of the 1972 debt limit debate. That act created procedures, road blocks, intended to prevent fiscal peril.

The ’74 Act has its flaws; big spenders have had over 40 years to figure out how to beat it. The Budget Act was born during a debt ceiling debate. My hope, as we once again debate raising the debt ceiling, is that we reform spending at the same time.

With that, I’ll recognize Ranking Member Peters for his opening statement. But, before I do, I just want to note this is Senator Peter’s first hearing as Ranking Member of this subcommittee, so I’d like to welcome him and look forward to working with you. Senator Peters.