

M E M O R A N D U M

To: Members of the Committee on Financial Services
From: FSC Majority Staff
Date: March 20, 2014
Subject: March 25, 2014, Full Committee Hearing Entitled “Why Debt Matters”

As part of a series of hearings that the Committee will hold focused on the threat of our spending-driven debt crisis, the Full Committee will hold a hearing entitled “Why Debt Matters” at 10 a.m. on March 25, 2014, in room 2128 Rayburn House Office Building. This will be a one-panel hearing and will include the following witnesses:

- Mr. David Cote, Chairman and CEO, Honeywell International Inc.
- Dr. Alice Rivlin, Senior Fellow, The Brookings Institution
- Dr. Douglas Holtz-Eakin, President, American Action Forum
- Dr. Jared Bernstein, Center on Budget and Policy Priorities

As federal deficits and debt have soared in recent decades, the risks posed by rising and excessive debt shifted suddenly to the foreground of the political debate, leading to the creation of the President’s Fiscal Commission (Simpson-Bowles) and culminating in the passage of the Budget Control Act of 2011. The recent sovereign debt crises experienced by Greece and other highly indebted European countries should serve as a warning to other nations — including the U.S. — about the consequences of a nation spending money it does not have. As seen in Greece and other nations, a sovereign debt crisis is not an abstract event. Instead, it leads to difficulty borrowing money, economic upheaval, rising interest rates, dysfunctional financial markets, and an immediate need to sharply raise taxes or cut spending.

Unfortunately, as deficits have temporarily receded, the urgency among some policy-makers to avert the oncoming spending-driven debt crisis has fallen. For example, a recent AP headline read, “Debts, deficits - once a focus - fade from agenda.” While the short-term budget outlook has improved temporarily from where it stood in 2009 and 2010, the U.S. still faces a long-term fiscal picture that experts from across the political spectrum agree is bleak. There is also broad consensus that failing to deal with that crisis will leave future generations of Americans with less freedom and opportunity, and result in current generations of Americans living less prosperous lives.

This hearing will explore the impacts and consequences of a large and rising national debt.

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