



TEXAS A&M UNIVERSITY

School of Law

“TAMU Law Answers” Webinar Series:
LEGAL ISSUES IN THE AGE OF THE CORONAVIRUS

"A Shadow of Debt: COVID-19's Impact on America's Fiscal Health"

Presented September 30, 2020

Featuring:

- The Honorable [Charles Stenholm](#) (D-Texas)
- The Honorable [Jeb Hensarling](#) (R-Texas)
- [Robert Bixby](#), Executive Director, [The Concord Coalition](#)
- [Tori Gorman](#), National Policy Director, [The Concord Coalition](#)
- [Robert B. Ahdieh](#), Dean and the Anthony G. Buzbee Endowed Dean's Chair, [Texas A&M University School of Law](#)
- Brandon Cofield '20, Madison Bell '21, and Cole Stenholm '21; [Texas A&M School of Law Residency Externship Program in Public Policy](#) students

TRANSCRIPT for <https://youtu.be/gCom-D91uZQ>:

- Howdy. My name is Cole Stenholm, and I'm a third-year student at Texas A&M University School of Law. Thank you for taking time from your schedule today to join this fiscal policy webinar. I first want to thank Erayne Hill and Kirsten Evans, the law school's marketing department, as well as Phil Smith of the Concord Coalition. Without these people, today's program would not be possible.

There is one other person without whom today's program would not be possible, and it is to him that I now turn for the introductory remarks. He is the Dean and the Anthony G. Buzbee Endowed Dean's Chair of Texas A&M's Law School. Please join me in welcoming virtually Dean Robert Ahdieh.

- Thanks Cole, for the welcome to all. Let me join him in welcoming all of you and saying how excited we are about this program. I'm going to be very brief because there's so much we're going to cover today that I don't want to take too much time. A&M Law School is incredibly honored and pleased to be hosting all of you for this conversation for this discussion.

We have great ambitions here at the law school, here at A&M Law, and have been seeing great success in so many ways in terms of ranking, the caliber of our students, the caliber of their achievements upon graduation and the like. But really, our ambitions, ultimately, are even broader. I like to talk about the idea that A&M Law School wants to be a place where people come together across communities, across political persuasions, across disciplines, across academia, industry, and policy communities to engage what we think of as the most challenging and difficult issues of the day.

It's hard to imagine a combination of issues, our fiscal and budgetary landscape and the COVID-19 pandemic than the topic that we are going to be taking up today. And so we're incredibly excited in that regard. It's also fitting in a sense that this is a conversation that we are hosting with representation from and in the sense virtually from Texas. What I'd like to say is that if we can, there's no issue that if we can solve it in Texas, it can't be solved in the entire rest of the country. And there is likewise, no issue that if we can't solve it in Texas, we're going to be able to solve it in the rest of the country.

I'm also excited to be partnering with the Concord Coalition in this program. The Coalition was founded in 1992, the year that I voted in my first presidential election. I knew about the Coalition at the time it was founded and was incredibly impressed by the work that it was undertaking and it has continued to undertake. I was at the time and I'll say I think I remain a Rudman Republican and a Tsongas Democrat at the same time. And so in that sense, I really do think of the Concord Coalition as representing the best of our politics and the best of what our nation can achieve around so many issues.

So we're incredibly excited and pleased to be hosting this gathering, thanks to the Coalition for bringing it to us, thanks to our students for their participation. We're excited for you to hear about everything, and thank you, of course, to Congressman Stenholm and Congressman Hensarling for participating as well. We're honored to have them here. Thank you.

- Thank you Dean Ahdieh. I had the pleasure to complete an externship experience with the Concord Coalition this past spring via the law school's [Public] Policy Program. And I just want to say that Concord has done a great job empowering me as a student, and all of the placements in the Program in Public Policy, they do a great job of getting law students an opportunity to explore a wide range of policy issues. And with that said, I want to give a couple of students an opportunity to share some of their experiences today.

And the first student that I want to turn to is a great friend of mine and someone who comes to us live from Houston, Texas, again, virtually, please welcome Brandon Cofield Sr.

- Yeah, thank you for the introduction, Cole. Talking to you now live from Houston, but on the other side of the bar exam, so things are pretty good over here. My experience was-- I echo Cole in that it was a great opportunity, not only to get to know Madison and Cole so well, but also just to get to see how the proverbial sausage is made.

So I spent my portion of the semester before COVID really kicked in on the Senate Judiciary Committee, and it was a great opportunity to not only see the behind-the-scenes work. Obviously, we see a little news and the snippets and things like that, but what's actually going

on, what are the different issues, and the politics, the true politics that are happening behind the scenes.

One of the things about DC, it seems like, I guess if New York never sleeps, I don't know what DC does, because it's just a nonstop whirlwind. And it was always good to have a stabilizing force that was our weekly classes. And getting to see what Cole was working on and singlehandedly solving our national debt and seeing what Madison was working on, justice reform, it was really cool just to see how so many things are happening. And so much power and influence is happening all within our own internship, but right there in DC.

I specifically remember when Cole was excited to be coming on the Hill there was a testimony regarding the budget deficit. And so it was just cool to know that I was just a short train ride away from the other side from the Senate building over to the House and just how important everything is and everything going on at any given point in time.

One of the things that I would encourage students to sign up, specifically to take advantage of the opportunity because the show still goes on. I don't want you to think, anyone, that you miss out by going to DC. If anything, I think it was probably a better opportunity. I still participated in moot court and you got to talk through different ideas and strategy with Cole and Madison while I was there. I was still able to stay abreast on everything going on with bar prep.

So by no means that I feel like I've missed out on things at home or any of my obligations, but instead, it was further enriched by this opportunity of going to DC, hanging out with these two, walking the mall, and also walking the halls with the senators. So with that, that's kind of the gist of all I have. I'm going to go ahead and introduce Madison, who was the other esteemed member of our group.

- Hi, everyone. Yes, thank you so much for the introduction, Brandon. I'm so happy to be here. Again, my name is Madison Bell, and I also participated in the Public Policy Externship last spring with Cole and Brandon. I was actually able to work with the Texas Public Policy Foundation's National Right on Crime Initiative, which is basically a non-profit, nonpartisan research institute that educates and works with various state and federal policymakers to develop and implement policy that's based on sound research.

So while I was in DC, I actually worked with a smaller subset of Right on Crime called Safe Streets and Second Chances. During my time, I had the opportunity to meet with several State officials including the head of the Department of Corrections of Ohio and New Jersey and also with the chairman of the New Jersey State Parole Board, which was just a very fantastic opportunity. And even greater, I actually was able with my team to work with these officials to help them develop implementation plans for newly enacted criminal justice statutes in the states.

So it was a really great insight into what actually makes good public policy, what is actually really effective, and what can be really implemented on the local level. But since we're discussing fiscal responsibility or perhaps the lack thereof-- I don't know, we'll have to see-- I just wanted to connect criminal justice reform to fiscal policy. So while they don't seem to be connected, criminal justice reform does heavily impact the fiscal debt federally and on the state

level as well. But according to Pew Charitable Trust from 1980 to 2013, prison spending grew from what was less than \$1 billion to almost \$7 billion, and the numbers continue to grow.

And also the prison population has dramatically increased. That's why the costs are increasing as well, but if we're able to enact criminal justice policy reforms that can get people out of prison and then successfully re-integrate them back into society where they can develop and have meaningful social and work opportunities, then we can decrease costs while also adding back to our society and your economy, which is two big thumbs up for fiscal responsibility.

So with that, I'm going to turn it back over to Cole. Thank you.

- Thank you Madison, and thank you Brandon as well. Madison, Brandon, and I had a wonderful time in Washington, DC this past spring and developed a strong friendship along the way. I hope that you can see by virtue of the program that law students, again, can explore many different policy issue areas of their interest. But today we're going to focus on just one issue area, and that is the national debt. At \$26 trillion, the national debt remains to me an inconceivable amount of money that raises an indefinite amount of questions for the future of our country.

And to address those questions today, we have assembled a bipartisan budget panel featuring two former members of Congress, one of whom I'm proud to say is my grandfather, and the other of whom I'm proud to say is a fellow Aggie. To set the stage for their panel discussion, I now turn the floor over to the policy experts of the Concord Coalition and to someone, in particular, who is a great friend of mine while I was up there in DC, remains a friend of mine and someone who I consider to be a mentor as well. She is the policy director for the Concord Coalition. Please welcome virtually from DC, Tori Gorman.

- Again, unmute. Cole, thank you. That was a really nice introduction. I'm going to share my screen real quick and give us some pictures to look at here. So I've been asked to provide a little bit of context for today's panel discussion, so let me take about 10 minutes here and set the stage. I'm going to give you a brief overview of the status of our federal finances, where we were before the pandemic hit, how Congress has responded, and how those policy decisions have affected our debt and deficits. I've got a short span of time and a lot of information to go to, so I'm probably going to talk really, really quickly, so bear with me.

So this chart. This chart plots the path of our national debt relative to the size of our economy since about 1900. And from here, you can see that, in general, up until about the 1980s, our debt burden would rise in times of global wars and global recessions, but it would fall in times of peace and prosperity. But right around here in the 1980s, something changed. Our debt kept rising despite generally strong economic growth.

So what happened? The answer is a persistent imbalance between spending, which is the blue line on this chart, and revenues, the green line. Instead of using our prosperous years in the last four decades to reduce our annual budget deficits, policies enacted in Washington generally increased spending or cut taxes and sometimes both at the same time. For a brief period, in the 1990s, fiscal responsibility did reign supreme, but unfortunately, the budget surpluses then were too small and too few to have a lasting impact.

On average, we've been taxing at 17% of GDP, but spending at 20% of GDP. Consequently, despite the sustained period of relative peace and prosperity, our budget deficits have been rising, not falling. So when COVID struck earlier this year, our federal balance sheet was already really strained. So that's pre-COVID. Let's talk about what happened next.

In March of this year, it became apparent that the coronavirus was spreading uncontrollably in the United States. The president declared a national emergency, and a collective decision was made to place the economy in what I call a self-induced coma, basically, sent everybody home to quarantine in place except only the most essential workers. Businesses shuttered for an indeterminate time, and because of that, a lot of workers lost their jobs, pushing the unemployment rate up more than 10 points in the span of just one month.

Unemployment has since recovered a little, but at 8.4%, it still remains substantially higher than its pre-recession level of 3.5%. In February, the US economy entered a recession. In the first quarter of this year, real GDP contracted by 5% from the previous quarter, and the second quarter contracted by double that amount.

In fact, the second quarter contraction was so steep that if it persisted over the course of an entire year, the domestic economy would lose 1/3 of its value. In late February early March, it was clear that the federal government would need to respond, and after the lessons that we learned from the Great Recession, lawmakers knew that they had to respond quickly and forcefully.

So how did Washington respond? In the span of three weeks, Congress and the president enacted three pieces of legislation, each more ambitious than the last. First, they spent billions on vaccine development, disease tracking, medical supplies, and lab capacity. Then they spent hundreds of billions on paid sick leave for employees of small businesses.

Then they spent \$1.7 trillion on a whole host of counter-cyclical measures, including tax rebates for individuals and families, expanded unemployment insurance, new federal loan programs and temporary tax cuts for small businesses and corporations. And they also gave money to state and local governments to help them cover the costs related to fighting the coronavirus. So in the span of just three weeks, in March, Congress threw basically, the proverbial kitchen sink at the virus and appropriated nearly \$2 trillion.

In April, lawmakers came together one last time to provide an additional relief for small businesses and frontline health care workers, and I don't think they're done quite yet. Although the actions by Congress were appropriate and necessarily large, they've had a tremendous impact on our federal budget. So first, let's look at deficits.

In March of this year, before the pandemic made its presence known in the United States, the Congressional Budget Office projected that the federal government would incur a trillion dollar deficits this year, next year, and in every year of the 10-year budget window. And after enacting for pandemic relief bills and spending \$2.4 trillion, however, in September, CBO revised its forecast. Now, it expects the 2020 deficit will triple to \$3.3 trillion, and next year's deficit will double to \$1.8 trillion. And bear in mind, this is all if Congress doesn't do anything else, this year. If a fifth pandemic bill is enacted before this Congress adjourns in December, future deficits will certainly grow.

As a result of these large and growing budget deficits, our national debt is projected to rise sharply from 79% of GDP in 2019 to 98% in 2020. By the end of 2021, our debt will exceed 100% of GDP, an unwanted milestone and granting United States membership in the club of nations whose burdens exceed what they can produce in a given year-- in essence, joining the ranks of countries like Japan, Greece, Italy, and Portugal.

By 2023, CBO predicts our debt will grow even more, setting an ominous new record reaching 107% of GDP, higher than the previous record set after World War II. Absent any legislative fixes, debt to GDP will climb further to 109% of GDP by 2030, and keep going. When you look further out into the future, the deficit effects of the pandemic wane, but the underlying structural imbalance between revenues and spending continues and gets wider. And as a consequence, our deficits and our debt begin to grow again, reaching levels that are truly and wholly unsustainable.

So with the effects of COVID gone in a few years, the question becomes, what's driving these deficits? On the spending side, the key drivers are shown on this graph-- health care programs for the poor, entitlement programs for seniors, and interest on the debt. Our grandparents are living longer in retirement, and that is a great and wonderful thing, but Social Security and Medicare have not been altered to compensate for these demographic changes.

Spending on federal health care programs is being driven by health care costs that are growing faster than the economy. Interest rates are near historic levels, but we've run up such a large amount of debt that low interest rates still cannot prevent spiraling interest costs. In fact, after this year, net interest costs will be the fastest growing category of spending, faster than Social Security, faster than Medicare, and faster than defense spending.

So what's the top line here? Any conversation about fiscal responsibility that doesn't address these four categories is simply not credible, and it's not serious. But just like it takes two to tango, it also takes two to create a deficit. We just talked about the spending side, so now let's talk about revenues. Whereas spending grows over the next 30 years relative to the size of the economy, revenues are relatively flat, hovering at about 17% of GDP.

So, why? Well, federal revenues are driven by income taxes, which in turn are driven by economic growth, but our economy can only grow as fast as we can produce output, the goods and services that others want to purchase. And output is constrained by two key variables, the size of our labor force and the productivity of those workers. So what do we know about the size of our labor force in the future?

Well, you've probably heard this before women are marrying later, and they're having fewer children. As a result, our future potential labor force is projected to grow only 1/3 as fast as it has in prior years. And how do we know this? We know this because the workers of tomorrow have already been born, and we can count them, so we know this to be true.

So what does this tell us? It says that we cannot grow our way out of this debt problem, at least not with the known demographics that we have today. The odds of returning to the days of 4% or 5% economic growth per year are simply not possible unless we do something to increase the size of our labor force.

I'm running a little short on time, so I'm going to speed up quickly through this chart and just say one thing. The revenue forecasts that underpins CBO's projections of debt and deficits in this presentation are probably too optimistic. They assume the expiration of temporary tax cuts in 2025, and Congress is unlikely to let that happen. So deficits are probably going to be larger than what I've presented here, as if we needed more bad news.

Even scarier than the accumulation of debt that I've mentioned is the precious time that we are losing to take corrective action. Even if policymakers strike a grand bargain within the next few years, significant savings will be necessary. As this chart shows, if Congress and the president set a goal of reducing future debt to 100% of GDP by 2050, which it basically means trying to keep it where it is today, and implemented those policies beginning in 2025, lawmakers would have to find savings equal to nearly 3% of GDP.

So let me put this in context. The first year's savings alone would have to total \$730 billion, essentially equivalent to eliminating almost the entire Department of Defense in one year or imposing a head tax of about \$2,200 per person. Perhaps you learned in constitutional law that a head tax is unconstitutional, but it illustrates my point. We are talking about large numbers.

If Washington waits even longer to act, the required policy changes get even more severe. Suppose, for example, that lawmakers wait until 2030 when the social security retirement trust fund is within months of exhaustion, which is entirely plausible because that's what Congress did in 1983. Then the amount of savings would have to be nearly 25% larger.

So that brings me all to the big question, why should you care about all of this? Why should you care about our nation's debt and deficits? You're all smart. You're young. Perhaps you're even lucky to get out of law school without any student loans. All around you, people are dying from a deadly virus, the West Coast is on fire, the polar ice caps are melting, and in the middle of this mess, you probably have to find a job. So why on Earth should you worry about our national debt?

Well, let me tell you why. First, like climate change, once debt becomes a conspicuous problem, it may be too late to do anything about it. As we saw with Greece and Portugal during the Great Recession, fiscal crises tend to occur quickly, accompanied by swift and steep declines in investor confidence. And when investors don't want to buy our debt because they think that we can't repay it, interest rates can spike in a matter of days and spawn a devastating credit crisis that reverberates around the globe.

Second, a large and rising debt burden reduces the fiscal space that we need to respond to the next crisis. In fact, I would argue that's exactly what we're experiencing right now. For example, economists and policy experts from all corners agree that Congress and the president should enact another large pandemic relief bill right now. But our already high levels of deficits and debt have scared many lawmakers away from the negotiating table. If our debt and deficits had been much lower to start with, I posit that Congress would be doing much more to prop up the economy during the pandemic and would be doing it much faster.

Third, we know that interest costs, even with low interest rates, will grow and crowd out needed investments that are important. Consider the progress we could make as a nation if we could

implement student loan reform, adopt clean energy, and adopt health insurance for all if our debt and deficits were more manageable.

Lastly, if nothing I've said thus far compels you, then consider this. The current era of political polarization, close elections, and aging societies, gives politicians on both sides strong incentives to leave the debt problem for future generations. Your generation. If you put all these facts in a pot and stir them together, it becomes highly likely that your generation will have fewer opportunities, less income, less wealth, and less retirement security. It will affect your generation's ability to save for the future, purchase a home, and raise a family.

But it doesn't have to be this way. By educating yourselves and your friends, by asking candidates for office tough questions, by demanding straight answers and holding these leaders accountable for their promises, you can change the dismal future laid out by these slides, and that is why I think you should care. So thank you for your attention today. I hope you found this presentation compelling, and at this point, I'd like to turn the mic over to the executive director of the Concord Coalition and the moderator for today's panel, Bob Bixby. Bob, the floor is yours.

- Bob, we need you to unmute.

- Phone says I'm, unmuted but that should do it. OK, thank you, Tori. Your presentation makes me glad that I'm closer to 65 than 25. Not really, but it is a daunting challenge for younger people looking ahead. And to the dean, I want to say a couple of things. First, the Program works for folks in DC also. I'm glad the students enjoyed it and got something out of it. Speaking as a host organization, we really liked it. We liked having Cole. He was a very good extern for us, and I just think the concept is really, really good.

Also, I too have something in common with you. I think I also consider myself a Tsongas Democrat and a Rudman Republican, have been for some time, so that's terrific. I am joined on the panel here. As Tori mentioned, I'm going to be the moderator. I'm very much hoping that my job is going to be a little bit easier than Chris Wallace had last night.

I'm pretty sure it is because our two panelists are Charlie Stenholm and Jeb Hensarling, two former members of Congress who both cared deeply about fiscal issues, even though from different parties, when they served in Congress. And in different ways, they were part of various bipartisan efforts to do something about fiscal responsibility. So Charlie, I will say Charlie represented the 17th Congressional District as a democrat in Congress. He was a ranking member on the Agriculture Committee, and he helped co-found the Blue Dog Coalition, which was a group of moderate to conservative Democrats that cared about fiscal responsibility, and we at the Concord Coalition work with them a great deal.

Charlie serves on our board of directors and also on the board of directors of the Committee for a Responsible Federal Budget. Congressman Hensarling is a Republican who served in the Congress from 2003 to 2019 from the 5th Congressional District in Texas. He was the chairman of the House Financial Services Committee, and he also co-chaired a special select committee on deficit reduction, which was given the nickname the Super Committee, and I'll ask him a little bit about that experience as we get into the Q&A. He is currently a vice chairman of UBS for the American region.

So let's get into this discussion. We've heard a lot of really scary numbers, very big numbers. And I think it's really important to talk about what that means for the future. I mean, what is it that has made each of you-- and I'll start with Charlie-- so concerned about this issue in your congressional life and continued to be worried about it since you've retired from Congress. Charlie, why don't you take a first run at that.

- Well, most anyone in business or working-- school teachers, faculty here at the A&M Law School-- everyone understands that if your debt exceeds your income, then you are beginning to have a problem. And when a country's income, gross domestic product, when the debt exceeds the gross domestic product, a country has the same problem. The problem has already really though been thoroughly mentioned is how do you get to where you're concerned about the national debt when it does not affect you today.

And that's where Congress has been very derelict in our duty over the years of not finding a way to make it possible for the average citizen to understand and to encourage Congress to do what is necessary to spend within our income limits.

- Congressman Hensarling.

- Well, first, a couple of preliminaries since this is sponsored by the A&M School of Law, Howdy! Class of '79. Also, to show you how I cover bases, my JD is from UT, and I'm the father of a Baylor Bear cheerleader. So I at least got three bases covered. In addition, I just want to say how honored I am to appear on this forum with Charlie Stenholm. I think we overlap by maybe two terms, Charlie. But he was clearly one of the great leaders of fiscal responsibility in the Congress and had more of our colleagues listened to him, we might not be having this webinar today.

With respect to the question that you actually asked, well, I thought Tori did an excellent, excellent job on presenting just how dire this is. I would say this. Serving in Congress was the greatest privilege of my life, not withstanding how frustrating it was. I leave with only a few regrets, but the greatest regret was not being able to convince more of my colleagues of the peril of the debt.

So let me touch upon a couple of things. I think, one, Bob, you said something about we're talking about really large numbers. In some respects, I think we need to be talking about small numbers, and I don't have them at my fingertips anymore, but it's kind of the aspect, I think, that in some respects people no longer understand billions and trillions. And Charlie and I remember in Congress when we used to talk about billions, now they're talking about trillions, I laugh to keep from crying.

But I think to some extent, you get better focus in knowing the challenge when you kind of translate, and what does that mean on a per individual basis. And again, I don't have the numbers at my fingertips. I want to say roughly now every man, woman, and child owes \$100,000, \$150,000 to pay off the current national debt. And we haven't even talked about the unfunded obligations, which is where we have promised future generations benefits that we have no way to pay for.

And in that case, this roughly, \$100,000, \$150,000 per person exceeds over \$1 million per person when you look at what we call the infinite horizon, which is about a 75-year horizon of CBO looking forward, so those are pretty dire numbers. And then quickly, I did at one time undertake a thorough study of what happened in Greece.

And listen, I don't equate America with Greece, but if you study it carefully, what you saw was padlocked factories. What you saw was hospitals that were shutting down, that could no longer offer medical care. You saw an increase in drug abuse. You saw an increase in suicides, in desperation. You saw college-educated people who could not get a job, who had to go and partake of subsistence agriculture, and that wasn't all that many years ago.

Again, I don't think America will ever become Greece, but I don't know it for a fact. And I also know that as I read the 9/11 Commission Report, probably the most damning indictment was that we as a country and we as policy makers had a failure of imagination. And I think as a society, we have failed to imagine ultimately what the consequences of this debt will be.

- Yeah, I think that that really gets to me too, and it is not necessarily the Greece comparison, but it's what can happen to a country that doesn't invest because too much of its income is going to debt service and the effects that that can have on the opportunities and wealth of future generations. I was just looking up some numbers, because Charlie mentioned the debt service, what's your debt to income. If you'll look at our interest costs to the federal government to the revenues that we have coming in, I was looking at the CBO numbers, it's not bad now because there are really strange circumstances going on right now. And we all understand interest rates are very, very low, but they're not going to stay as low, this low.

But by 2040, I think it is, the interest cost as a percentage of our revenues would be about 25%, and almost 50% or over 45% or so by 2050. I don't know what the exact tipping point is for something like that, but that gets to be really, really into unsustainable territory. And that assumes that revenues continue to go up with the size of the economy. It's just that the interest goes up much further.

So with that in mind, we have a lot of people running for Congress right now, the Senate and for the presidency. What advice would you give them? I mean, as they're coming into this, there are ways to maybe go about fixing this problem or any sort of solutions that appeal [AUDIO OUT]. So we can start with Jeb.

- Well, one, when you say there's a lot of people running for Congress and the Senate, at this point in my career, I wonder why. But we'll set that aside at this time. [Laughter]

- Well, so maybe your advice would be stop.

- No, it wouldn't. All that's necessary for evil to triumph is for a few good people to do nothing. We all know that. So what would I advise these candidates? A couple of pieces of wisdom that I received when I first ran, number one, never say what you will never do. Think about that for a second. If you have Republicans coming in saying, I will never raise taxes, if you have Democrats coming to Congress saying, I will never touch entitlement spending, then, folks, I'm

not sure there is any solution or hope for this country. So number one, never say what you'll never do.

Next, study the issue. Understand it. Become a policy expert on debt, and then be a leader. Don't be a follower, be a leader. I don't know particularly why, but God made a lot of Democrats, God made a lot of Republicans. This is going to entail a bipartisan solution. It's also going to take probably, in some respects, a political Thelma and Louise moment. I hope everybody may recall that film. And in doing, so it's going to take more profiles in courage than what we see today.

So members, candidates need to be prepared after learning the issue to go to their constituents. I must admit I get a lot of polling data coming across the transom, but one thing, among other depressing polling data I've seen, is that over five years, the number of people who name the national debt is one of their top five issues has been cut in half. And so you need to lead with respect to your constituents.

And ultimately, that means, I mean, it's a hard thing to do, but ultimately, you may be called in some time to choose between your career and your country. And at that point, I would advise you have the courage to choose your country.

- Is Charlie back with us?

- Yeah, I'm back now.

- OK, well, we're just asking for your advice for the folks running for Congress and the Senate and the White House, and we decided that one piece of advice cannot be don't do it. It's you have to go forward and assume they're going to be elected, and give them some advice.

- Yeah, I agree very much with what I just heard Jeb in his concluding remarks there. And somehow, some way, we have got to start addressing the total issues. And that means you're going to have to raise some taxes to pay for the defense needs of this country, and you're going to have to raise some money to fully fund the Social Security system, which is going to be 70% able to pay-- people 55 years old today, you're not going to be able to get what you're promised today. That's going to cost some money, and it's going to cost some changes.

And so my party needs to stop politicizing Social Security to where nobody will touch it. Jeb's party needs to stop emphasizing tax cuts as much as they do because tax cuts with borrowed money that do not contribute to growth are just as damaging to the budget and the deficits as been proven. Since 1978 when I was first elected, you cannot make the argument that you can grow your way out of the economy by large tax cuts that go to the top 1%.

And this is not to start a cultural war, it's just to say if you believe in the lessons of history and you believe in what is happening to our economy over the last 40 years, you're going to have to start cutting spending straight across the board, but with a scalpel, not with a meat ax, which some of our colleagues believe, oh, if we just cut foreign aid, for example, we'll balance the budget. Well, the numbers I saw this year \$1.8 billion of foreign welfare aid is in the budget. And then you go right down the line.

So those who are being elected November the 3rd, the voters, when you get a chance, just ask them what is their plan for how to balance the budget. How? And we're not going to do it in the next 5 years, 10 years. I mean, this debt is very serious today, but as Tori said, you have to start, and you have to start smart. And as soon as COVID is over will be the time. The next Congress is the one that's going to need to start reaching across the aisle.

Jeb and I, we crossed for two years. He came in two years before I left Congress. So we didn't get to know each other real well, but I followed his career since, and he was very kind to look at, talking about my career when I was there. We tried working with the Concord Coalition and others. We tried, but one of my regrets kind of like Jeb said, we didn't get her done.

- Well, one of the interesting things that we do is have a budget exercise because you mentioned asking people what's your plan. And so a lot of members of Congress of both parties have taken us up on that and had as a town hall meeting, invited their constituents to come in and giving them a bunch of options that are all scored by the congressional budget office, so it's a neutral scoring agency. And they're both revenue and spending options, and they can put together any group that they want. And constituents find it fascinating because they learn a lot about the budget, and they learn about some of the trade-offs and whether or not they're willing to make it.

Jeb, I wanted to get into a little bit of the work on the Super Committee because it encapsulated a lot of these things that we're talking about. It was specifically created to try to find a package of deficit reduction that Democrats and Republicans could agree on. And then there was a consequence if you didn't, which was something called sequestration, which is across-the-board cuts. I don't want to get into the details of that because there were a lot of details about the rules and all like that.

It's just kind of the political dynamic. I mean, you set out some pretty good advice. What was your experience with that Super Committee, and do you think it's the sort of process that might work in the future?

- Well, one, Bob, thanks for the flashback. I feel like I'm still suffering from PTSD.

- I hope that wasn't a bad flashback. I'm sorry.

- Again, I laugh to keep from weeping. Here are some of the takeaways. Let me start off somewhat on a hopeful note. I think under the right set of circumstances, that mechanism can work. Regrettably, there are a lot of members who do not wish to assume responsibility and get into the details, but once you give them a budget package, and it's take it or leave it in the political exigencies back in their districts and states or such, then I think at the margins, it's easier to do this.

So I think you asked me what are some of the lessons learned. Number one, it is difficult to negotiate with people you don't know, and so therefore, you do not trust. Republicans come in with a natural distrust of Democrats and vice versa. So one thing I would have done differently is we would have found some place outside the District to go and just drink beer and get to know each other. And make sure that we could tear down those natural fences or walls of distrust.

You mentioned sequestration. It's helpful. You have to have a date certain where the process ends. And my sainted 88-year-old mother is fond of saying, life is full of lousy options. You need to make the option of failure really, really lousy. I would say probably the most important lesson is, because this is such heavy political lifting, I'm not sure what is more difficult, again, than getting Republicans to raise taxes and Democrats to reform entitlement spending.

Spending is popular, saving is not popular. So unless the president is committed to it, unless the Senate leader is committed to it, unless the Democrat leader in both the House and Senate are committed to it, and if every member of this commission or committee, if they're not, it's kind of like that game show The Weakest Link. It just takes one weak link, and the whole thing ends up breaking.

I think those are probably most of the lessons. I mean, I could get into the details and tell war stories. But if you're asking me what are the basic principles, I would say those are the basic principles, and in some respects, I would also say this mechanism, although it failed, regrettably, and it failed in Simpson-Bowles, but particularly, Simpson-Bowles was getting a little bit closer. And I was privy to negotiations between then President Obama and speaker John Boehner, and those negotiations got closer than people thought.

So it at least started to set a high watermark for those negotiations. So I think I wouldn't give up on the mechanism. I think it's going to be easier than getting it done on the floor, and you didn't quite ask me this question, but I think the necessary spark, catalyst, if you will, either number one, again, voters are going to have to demand this from their elected officials. Our bond markets are going to have to say enough is enough. And at that point Congress will have no opportunity but to act.

- Yeah, I think we'll be happy to invite you onto our podcast sometime to tell the behind-the-scenes stories. But Charlie, same question, really, but you weren't part of the Super Committee, but you were very much part of bipartisan efforts of some of the Blue Dog Coalition early. And that was a different type of, as I recall those times, the Blue Dogs and there were groups on the Republican side that would try to do budgets together.

I remember former Congressman Tim Penny and a former congressman by the name of John Kasich, who later became chairman of the Budget Committee, tried to do budgets together, and I know you were part of that process. So that was a different way trying to get coalitions, and I'd just like to get your take on how that process worked, and is there anything like that that could be done now?

- Well, the answer to the last question, absolutely. Yes, it could be done. It just takes willing parties on both sides. I never considered Republicans the enemy. They were opposition, but I found myself from a conservative standpoint, I was often accused of being a Republican, but not as conservative as the folks that control the Republican Party. I have differences.

But we always had the ability to sit down and to work together. We didn't consider the next election begins the day after you get elected. We believed that you were elected to do a job, and we had a job to do. And I served on the Ag Committee. Farm programs are always controversial,

but nothing can be exempt. You can't exempt anything from your mind when you start looking at solutions.

I was going to ask Jeb, y'all got awfully close on Simpson-Bowles. You had a darn good plan, and you said what I have always understood that Speaker Boehner of the Republican House and the president were very close to an agreement, but then it blew up. What blew it up?

- Well, frankly, the United States Senate blew it up, in my opinion. And as you well know, the Democrats, at least we used to say in the House, are the opposition. It's the United States Senate that's the enemy, and I think this is one more anecdote. So again, these were very delicate negotiations. And then I don't mean to answer in the pejorative sense, there was a bipartisan group of senators who simultaneously were working on the budget deficit. Perhaps they were somewhat ignorant of what the president and the speaker were doing.

They put out a completely different set of goalpost, if you will, and tentative agreements in handshakes that had already taken place, caused both parties to have to retreat. So in some respects, in my opinion having been there in witnessed it, again, good-meaning individuals, but timing in a very delicate set of circumstances caused the president and the speaker to back away once people and their party took a different position that seemed to set up the political boundaries different from how the president and speaker had set it up.

So how in history turned out, had not happened, I don't know. But in this case, it was well meaning. It wasn't people trying to take shots from outside.

- Yeah, several years earlier, there was a similar type of thing happened with the Clinton Social Security reform effort. Concord Coalition was involved in that with AARP, and we had organized forums around the country at the administration's request. And the administration was working with the congressional Republicans on a Social Security reform plan. This was 1998. And they were really, really close. I mean, really, really had pretty much agreed on all the broad outlines.

And then the Clinton-Monica Lewinsky problems came up. And at that point, the political posture of the president changed, and he wasn't in the same position to buck people in the Democratic party who were opposed. And Republicans saw an opportunity to go hard after the president, and so cooperating wasn't necessarily in their best interests. And so really, horrible bad luck, despite the other aspects of it, prevented Social Security reform.

And Charlie, I know you and Tori, people on this call were very much involved in that. She was working for your partner, Jim Colby, and you guys had a plan on the table. So yeah, sometimes outside forces can upset the political dynamic that's so important to get this done.

- That leads me to in the short time we have left, there are a couple of questions from participants that key off on what we were just talking about. I'll put them both out there, and maybe you could respond to both. One is a very technical question, which is, why not use a base closing commission type structure for simply running the Pentagon. Congressional committees may be responsive to constituents and home-state economic interests and not necessarily be experts in military.

So would there be some rationale for expanding that use of the Base Closing Commission? Question number one is a technical question. The other one is a much broader question, which is more about-- and something that we've talked about a little bit is the tipping point. Jeb mentioned at some point, there might be a tipping point. I know Charlie has talked about this. How much is too much? Debt or debt to GDP, or debt to revenue. Is there a guidepost or anything that we can say on that, and how close are we?

So let me just throw that out, and Jeb, if you want to take our first shot at either one of those questions or both.

- Well, I will, but in Congress, we usually honor seniority, so Charlie, if you'd like to go first.

- Well, the answer to your last question, Bob, we're all going to know it when it happens, when you see it. If you don't plan for it, it's going to happen. There is not a doubt in my mind that the United States cannot continue to build debt at the rate we're building it without something bad happening. And how bad that's going to be, you tell me. We've got a real competitor out there in China that we've been ignoring at our peril. They're very real. They have definite ambitions themselves. Their debt is much lower than ours, for example.

But the first part of your question is, Simpson-Bowles, I was real encouraged with Simpson-Bowles. And when you go back and look at it, they cut everything, and they raised taxes, and they protected Social Security, and they did this. And Jeb was very correct if what my opinion had been from the outside of what blew it up.

That's why these coming elections with all you, all of you are voters. And ask your congressman to be. And if they tell you, I'm not going to raise taxes, then be suspicious of them, and be careful about voting for them. If they say I'm not going to touch your Social Security and Medicare, be suspicious of them. Because we got a problem with health care cost. And therefore, don't let the typical political side of this ruin it. But Bob pointed out the exercise that everybody can work on on balancing the budget.

Google it up. Go through it yourself. Educate yourself as to the details, which I do with my class that I teach every year. They balance the budget, and they do it. And after they finished doing it, I tell them good news and bad news. The good news is you've balanced the budget in a very credible way. The bad news is, none of you are going to get re-elected to Congress next. And that's what we have to avoid. We need to laugh at that, but we need to be serious about it, and young people are the ones that need to be serious about it, and I'm finding those that I come in contact are.

- We get two minutes, so it's like the two-minute speeches in Congress.

- We're used to it. We're not senators.

- That's right.

- So with respect to the commission structure, it's an excellent question, and the answer is yes. I mean, it's similar to the commission, I would say particularly when Congress has failed to take

care of what many of us view as a national crisis, the most foreseeable crisis in America's history, perhaps. Try the commission. Try the Base Closing Commission. Try a super committee.

Again, if you have somebody else do the work, throw it in Congress and say, take it or leave it. There is a chance that's going to work. Throw a lot of stuff on the chalk board. I remember this quote from Winston Churchill, Americans can usually be counted on to do the right thing once they've exhausted every other possibility. We haven't quite exhausted every other possibility.

With respect to the tipping point, I think we're there. I think the seminal academic work on this was done by a couple of academics, I think one from Harvard, one from University of Maryland. Reinhart and Rogoff wrote a book, *This Time is Different*. It came out seven, eight years ago. I lose track. And the inescapable takeaway was that when nations hit 100% debt-to-GDP ratio, and they studied, I don't know, 50 different sovereign countries over a 200, 300-year period, anyway. The inescapable conclusion was, you reach 100% debt to GDP, bad things happen. You lose a percentage point of growth. And in the US, that's losing-- going from 3% to 2%, losing 1/3 of your economic growth.

And if that happens, unfortunately, the generation of those of us who are speaking will leave the next generation with a lower standard of living. Never happened in America's history before. The good news is number one, it's not too late, but it's getting more expensive and more difficult every day. Also, the good news is you don't really have to cut one penny of federal spending, but you do have to bend the cost curve. You can't have entitlement spending growing at 4%, 5%, 6% a year and good GDP is 3%.

I would just say, again, talking to people who are much younger than me and Charlie, take climate change very seriously. I do. I don't personally see it as apocalyptic, but I see it as a very serious challenge. But there are very few people your age who have even thought about the national debt, and you will have, again, a lower standard of living, fewer options if you don't be part of the solution and help educate your fellow students and hopefully, succeed where Charlie and I pulled up short.

- Well, that's my cue to toss it back to Cole Stenholm and to wrap things up for us. And thank you very much, Charlie and Jeb, for making my job a lot easier than Chris Wallace's was last night.

- I'm not sure. We may have lost Cole. Is that right?

- We did, but you can hear my voice here.

- Oh, good. Cole, there you are, go.

- Yes, Congressmen Stenholm, Charlie, Grandfather, and also Congressman Hensarling and Bob Bixby, thank you all so much for taking the time to moderate the this bipartisan panel discussion. I really enjoyed listening to this conversation. Thank you for everyone attending. I hope you all have a great afternoon.

- Thank you all.