

Dr. Douglas Holtz-Eakin  
testifies for a second time on The FAIR Act

Dr. Douglas Holtz-Eakin, former director of the Congressional Budget Office (CBO) and now Director of the Maurice R. Greenberg Center for Geoeconomic Studies and Paul A. Volcker Chair in International Economics with the Council on Foreign Relations, testified on the Fairness in Asbestos Injury Resolution Act (FAIR Act) in Washington, D.C., on June 7, 2006.

In his second appearance before the Senate Committee on the Judiciary on this topic, Holtz-Eakin explained that when he gave previous testimony to the Committee as the Director of CBO, he was required to take the FAIR Act at face value and defer from making recommendations. Now a private citizen, Holtz-Eakin expressed his personal view that “[i]t is implausible to take the FAIR Act at face value.”

Holtz-Eakin examined uncertainties of the FAIR Act that exist with respect to anticipated claimant behavior, the number and types of claims, federal financial constraints, future funding priorities (Social Security, Medicare), and CBO assumptions and projections. These uncertainties would likely result in an under-funded trust fund and could lead to increases in both mandatory federal spending and the federal deficit, Holtz-Eakin said.

Holtz-Eakin expressed concern that the trust fund’s benefits would likely exceed its resources, leaving future taxpayers to foot the bill and future claimants under- or uncompensated. He predicted that if the asbestos trust fund resources are inadequate to meet benefit commitments, the Act might not sunset as expected. Holtz-Eakin pointed out that “This approach is extremely unlikely to insulate taxpayers from meeting the demands of the new mandatory spending.”

Holtz-Eakin concluded that overall the FAIR Act is a “puzzling initiative in that it does not directly solve any” of the problems with the current system. He pointed out that recent changes to the Act “may turn out to do little to reduce the potential demands of ... claimants on the fund” because it “continues to allow claims against manufacturers if they have not established trusts.”

**Link to testimony**

[http://judiciary.senate.gov/testimony.cfm?id=1931&wit\\_id=5395](http://judiciary.senate.gov/testimony.cfm?id=1931&wit_id=5395)