



The National Commission on Fiscal Responsibility and Reform

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July 28, 2010



Main Points

- Need medium- and long-term fiscal goals
- Balancing economic recovery and fiscal consolidation
- Focus on policies that will help growth (but know we cannot grow our way out of the problem)
- Outside efforts to support the work of the commission



The Need for Fiscal Goals

Fiscal Commission:

“The Commission shall propose recommendations to balance the budget, excluding interest payment on the debt, by 2015. This result is projected to stabilize the debt-to-GDP ratio at an acceptable level once the economy recovers. In addition, the Commission shall propose recommendations to the President that meaningfully improve the long-run fiscal outlook, including changes to address the growth of entitlement spending and the gap between the projected revenues and expenditures of the Federal Government.”

Peterson-Pew:

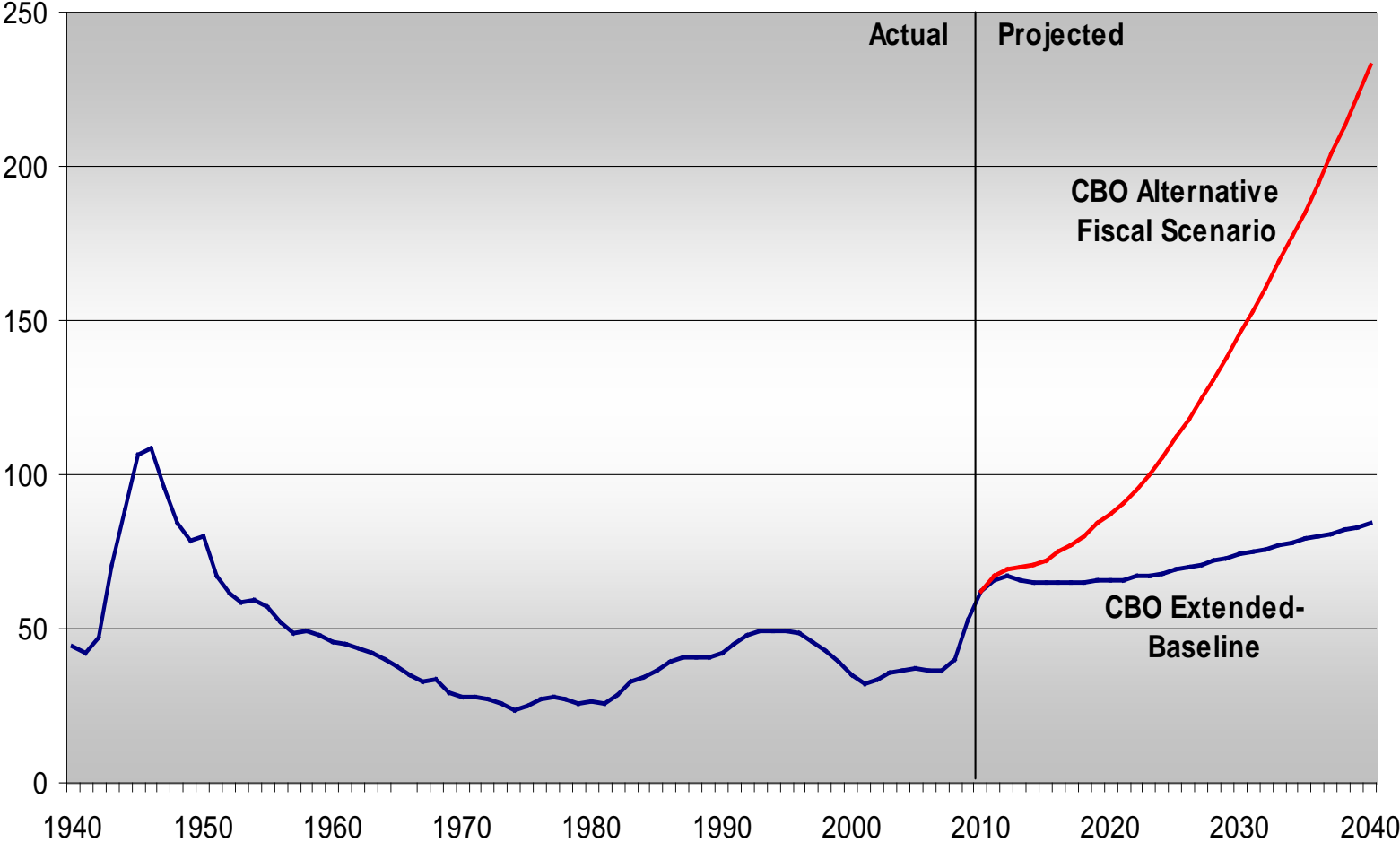
Recommends: Stabilizing the debt at 60% GDP by 2018, and gradually bringing it down closer to historical levels thereafter.



Balancing Economic Recovery and Fiscal Consolidation

- The economic recovery is not strong; continue stimulus as necessary
- Benefits of the “Announcement Effect” of committing to a fiscal plan immediately
- Phase fiscal plan in gradually
- Markets must view as credible

Debt Held By the Public (Percent GDP, 1940-2040)



Source: OMB Table 7.1, CBO Historical Data, and CBO 2010 Long-Term Outlook Supplemental Data



Specific Policies

- Need specific proposals floated to prepare the public (and policymakers) for what will be involved
- End practice of leaving budget holes (AMT, doc fix)
- More than just an exercise in getting the numbers to add up—need to consider national priorities, values, program performance, and effects on the economy



Outside Policy and Process Efforts

- Peterson-Pew Commission on Budget Reform: Volumes 1 & 2
- NRC/NAPA: Choosing the Nation's Fiscal Future
- Domenici – Rivlin Debt Reduction Task Force

Peterson–Pew Commission on Budget Reform

Volume 1: *Red Ink Rising*

Step 1: Commit immediately to stabilize the debt at 60 percent of GDP by 2018

Step 2: Develop a specific and credible debt stabilization package immediately

Step 3: Begin to phase in policy changes in 2012

Step 4: Review progress annually & implement an enforcement regime to stay on track

Step 5: Stabilize the debt by 2018

Step 6: Continue to reduce the debt as a share of the economy over the longer term.

Volume 2: *Comprehensive New Budget Regime*

- Medium- and long-term fiscal targets
- Automatic triggers to enforce policy decisions needed to put and keep the budget on a sustainable fiscal path
- Improved budget transparency to 1) reduce short-term budgeting, 2) highlight budget trade-offs, and 3) improve fiscal outcomes

NRC / NAPA: Choosing the Nation's Fiscal Future

Four Illustrative Paths -

Low: Maintain revenues at traditional levels, rely on large spending cuts to all areas of the budget. Shift responsibilities to households and state and local governments. Balance Social Security by increasing retirement age, progressive price indexing, changing COLAs. Limit excess health care cost growth to aging of population.

High: Restrain growth of Medicare and Medicaid spending slightly, maintain currently scheduled Social Security benefits, and permit expanded spending on defense and other domestic programs. Require very substantial increases in revenues. Consider alternative tax structures, including a radically reformed income tax that limits many tax expenditures and consolidates tax rates, and a VAT. Dramatic increases in payroll tax.

Two intermediate paths: Policies fall between these two “bookends”.

Domenici – Rivlin Debt Reduction Task Force

- Split equally between Republicans and Democrats
- Focus on debt reduction and stabilization
- Everything on the table

Pete Domenici, Former Chairman of the Senate Budget Committee (**Co-chair**)

Alice Rivlin, Former Clinton OMB Director, founding CBO Director, and Vice-Chair of the Federal Reserve (**Co-chair**)

The Reverend A.R. Bernard, Sr., President, Council of Churches of the City of New York

Robert L. Bixby, Executive Director, The Concord Coalition

James Blanchard, Former U.S. Ambassador to Canada, Governor of Michigan, U.S. Representative

Sheila Burke, Former Chief of Staff to Senate Majority Leader Bob Dole

Leonard E. Burman, Professor of Public Affairs, Maxwell School of Syracuse University

Robert N. Campbell III, Vice Chairman, Deloitte LLP

Henry Cisneros, Former Secretary of Housing and Urban Development, Former Mayor of San Antonio

Carlos M. Gutierrez, Scholar, University of Miami Institute for Cuban and Cuban American Studies

G. William Hoagland, Former Staff Director, Senate Budget Committee

Frank Keating, President and CEO, American Council of Life Insurers, Former Governor of Oklahoma

Karen Kerrigan, President and CEO, Small Business and Entrepreneurship Council, Founder of Women Entrepreneurs Inc.

Maya MacGuineas, President, Committee for a Responsible Federal Budget

Donald Marron, Former Member, Council of Economic Advisors and Former Acting Director, CBO

Edward McElroy, CEO of Union Labor Life Insurance Company, Former President, American Federation of Teachers

Joe Minarik, Senior VP and Director of Research, Committee for Economic Development

Marc H. Morial, President and CEO, National Urban League, Former Mayor of New Orleans

William D. Novelli, Professor, McDonough School of Business at Georgetown University, Former CEO, AARP

Tony Williams, Former Mayor of the District of Columbia