

Fiscal commission co-chairs remain hopeful for deficit cut

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The leaders of a White House fiscal commission said Wednesday they remain hopeful that Congress will take action to reduce the federal government's yawning deficits and rising debt.

"I'm pretty encouraged," said Erskine Bowles, a former chief of staff to Bill Clinton who served as co-chairman of the National Commission on Fiscal Responsibility and Reform, created by President Barack Obama.

"You will see more negotiations," he said. "You'll see more of where people are willing to go. This is a process."

Alan Simpson, the other co-chairman and a former Republican senator from Wyoming, encouraged lawmakers to look for middle ground. Both men spoke at a Dallas luncheon sponsored by the National Center for Policy Analysis, a think tank.

"Compromise doesn't mean you're a wimp," Simpson said. "If you spend a buck and borrow 40 cents and don't know where the hell you're going, you must be the stupidest country on Earth."

John Goodman, president of the National Center for Policy Analysis, spoke on stage with Bowles and Simpson and praised their efforts.

"What they were saying is that a lot of the building blocks are in place," Goodman said later. "There are reasons to be hopeful."

Late last year, Simpson and Bowles unveiled a complex plan that would cut \$3.8 trillion in government red ink over a decade by reducing spending, rolling back retirement benefits and eliminating popular tax deductions such as the one for home mortgage interest.

But their recommendations didn't muster enough votes from the 18-member commission to send the blueprint to Congress.

The national debt already stands at more than \$14 trillion, including nearly \$9.5 trillion in the hands of the public and \$4.6 trillion in intra-governmental holdings. (To put those numbers in context, annual economic output was about \$14.7 trillion last year.)

“We live in a world today of limited resources and that means choices,” Bowles said.

While Congress is expected to consider a range of ways to rein in spending, it’s far from clear what impact the Simpson-Bowles proposals will have on legislation this year, analysts said. In the short term, there’s bound to be plenty of debate about Obama’s budget for next year and a GOP-authored budget to finish out 2011, both of which are to be unveiled next week.

Meanwhile, few politicians have been eager to embrace the most controversial parts of the Simpson-Bowles approach, particularly their recommendations on such areas as defense, Social Security and Medicare.

Moreover, some analysts say the critical short-term challenge lies in fostering a stronger economic recovery.

“We have very large deficits today, and the reason is very clear: The economy collapsed when the housing bubble collapsed,” said Dean Baker, an economist with the Center for Economic and Policy Research, in Washington, D.C. “We have increased spending quite deliberately to try and boost the economy.”

Simpson and Bowles say their proposals are designed not to disrupt the recovery.

They have also drawn criticism for not going far enough in recommending ways to rein in health-care spending growth. Many analysts say long-term spending on health care programs such as Medicare is among the most challenging fiscal problems facing Uncle Sam.

Simpson acknowledged the difficulty of confronting swiftly rising health care costs.

“We couldn’t even wrap our arms around health care,” he said. “This is one gorilla that will eat everything in the cage.”