

Oshkosh's Closing the Federal Deficit Choices 3

My last two columns discussed the how my 13 panelists chose to stabilize the Federal debt. So what options didn't they choose?

It is interesting that, despite all the political rhetoric one hears, there was very little interest in cutting domestic social spending. Reducing unemployment benefits, cutting Federal K-12 funding, and paring back school breakfast programs got very few votes. On the other hand, increased social spending, whether more money to educate disabled children, to expand food stamps, or for a new job-creating stimulus bill, also got few to no takers. The message seems to be that the current level of domestic social spending is about right.

Nor, other than medical malpractice reform, was there much enthusiasm for changing health care funding. Proposals to raise Medicare premiums, increase Medicare deductibles, or raise the Medicare retirement age got little to no support. Maybe most interestingly, Rep. Paul Ryan's proposal to replace Medicare with private insurance vouchers got no votes whatsoever. Apparently, ending Medicare as we know it was considered a Roadmap to Nowhere.

On the revenue side, neither a 1% payroll tax hike or a 5% value Added Tax got much support. On the other hand, all but 2 of the 13 panelists supported either a Carbon Tax or an increase in the gas tax. After all, if we have to raise revenue, why not do it in a way that reduces both energy consumption and carbon emissions? And 8 panelists' voted to change how we calculate inflation in our tax code, just like the what the panel OKed for Social Security. I guess what's good for the geezers is good for the ... well, I don't know where to take that, either.

So here's the overall picture, based on an average of the 14 sets of choices (my own and the 13 panelists):

On taxes, renew about 40% of the Bush tax cuts – that loses about \$1400 Billion in revenue – but almost fully offset that by taxing the big banks, reforming the international tax system, taxing gasoline or carbon fuels, and cutting back the mortgage interest deduction. The net result is only a small revenue loss. But fully renewing the Bush tax cuts is a nonstarter – and if the Republicans continue to insist on that, you can plan on the Federal government going bankrupt within the foreseeable future.

On Social Security, cut spending about \$300 billion, by adjusting the inflation measure and the retirement age, and raise revenues about \$400 billion, by raising the payroll tax cap. That's a bargain neither the left nor the right will like, but that's why they call it a compromise.

And on spending, cut around \$1100 Billion, with nearly two thirds of that – roughly \$700 Billion -- coming out of defense. Personally, I disagreed with the majority on this one: I supported only about \$100 Billion in defense cuts, but I made up the difference by choosing to eliminate another \$600 Billion in tax expenditures (like biofuel subsidies and the deduction of state and local taxes). You can be an anti-tax hawk, you can be a defense hawk, or you can be a deficit hawk, but it doesn't appear to be possible to be all three a once.

Once again, let me urge you to try your hand at the budget simulator, at <http://crfb.org/stabilizethedebt/>. And let me also urge you to challenge the candidates for Federal office on where they stand on these decisions, and how willing they are to cross the aisle and compromise with the other side. Because grandstanding now will very soon leave us without a leg to stand on anywhere.