

TAKING BACK OUR FISCAL FUTURE

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Key Points

- Entitlements are the problem. No process for reviewing.
- If public wants to maintain these commitments, must pay for them
- Will the gap be filled by new revenues or by crowding out other expenditures?
- Right now, by end of new Pres second term, almost nothing left for other domestic purposes

Major Criticisms

- Too much emphasis on spending (vs taxes)? Don't rule out revenues but can't be whole answer.
- Won't work? So what will? Paygo, caps, SGR, "political will" not sufficient.
- Wait for comprehensive HC reform? Will it significantly constrain costs? Timing? Politics? Medicare as engine not caboose.

Details, details!

- Plenty of design issues. See Penner and Steuerle paper on triggers.
- Plenty of room for debate on how to constrain costs in HC and make SS solvent. But neither being addressed.
- If you don't like our ideas, what are yours?
- Status quo is not an option

Winners and Losers

- Losers under current system:
 - Working age and kids
 - Low income families
 - Reasons: deficits, regressive taxes, squeeze
- Winners
 - The elderly (only group with universal access to FFS medical care and a guaranteed income)
 - The wealthy (the economy + Bush tax cuts)

Is There a Bipartisan Solution?

- Liberal Fears: slash entitlements and don't raise revenue or reallocate any of the savings to young
- Conservative Fears: raise taxes and do nothing about spending
- Possible compromise: Do some of both: protect lower-income, make some new investments in young, constrain spending where it counts (entitlements) but add some revenues via tax reform.

Conclusion

- Need to grade our proposal on the curve
- It has plenty of flaws.
- But how does it stack up to other plans?
- These are either insufficient or nonexistent.
- New ideas welcome. Give us an A for good intentions, a B for bipartisanship, and a B for at least suggesting a plan.