

# >> Comparing Approaches

**R**ECENT SURVEYS HAVE REPEATEDLY SHOWN that most Americans are very much concerned about the federal government's habit of deficit spending and the effects of swelling public debt that now approaches the staggering sum of \$9 trillion. Unfortunately, however, when it comes to doing something about bringing federal spending in line with revenue, there is little agreement about what should be done, or what costs and trade-offs most Americans are willing to accept. In election years, while candidates routinely deplore the habit of deficit spending, there is little discussion of specific measures to close the budget gap.

This issue book serves as a catalyst for public reflection, a framework for realistic discussion. These discussions of the federal debt will take place in National Issues Forums (NIF) in hundreds of communities this year, as part of the NIF's election-year season. The intent is to see what changes the American public can agree on as key elements in solving the political gridlock that surrounds this problem.

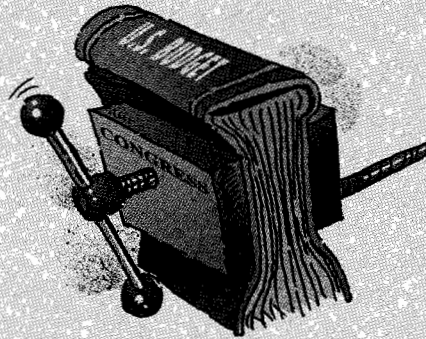
The alternatives presented here are arguments for three different ways of thinking about how the deficit could be reduced, as well as the replies and contrary arguments of those who disagree with these positions. Each section lays out specific measures advocated by those who favor the approach, along with costs and tradeoffs they are prepared to accept.

None of these approaches should bear the entire burden of closing the budget gap. At a time when annual deficits run in the range of \$300 billion, the only realistic and politically acceptable solutions are likely to involve a package including several types of measures.

Devising a way to bring federal spending back in line with revenue without harming the needy, endangering national security, or damaging the nation's economic prospects is a demanding task, and one that requires not just bold political leadership but also public understanding and support. These pages summarize the three positions presented in this issue book, along with the main costs and trade-offs associated with each of them.

## APPROACH ONE

### >> They Can't Say No Curtail Endless Spending



The nation's budgetary problems stem from the inability of Congress to curb spending. Faced by endless demands, elected representatives seem unable to

set limits or agree on priorities. Given large fixed expenses, they will have to focus on discretionary spending and make tougher decisions about defunding programs the government simply cannot afford.

#### What can be done?

- Eliminate programs that can better be carried out by the private sector.
- Work toward eliminating pork-barrel spending.
- Rein in America's global ambitions, particularly with regard to costly preemptive military actions.
- Give the president the power to veto nonessential or unrelated items from proposed bills.
- Enact across-the-board cuts on all discretionary spending programs.

#### Trade-offs

- Focusing on reductions in discretionary spending could involve endless squabbles over which federal programs are expendable, without gaining significant savings.
- If we renege on global commitments, we risk unforeseen consequences from friends and foes alike.

#### Opposing voices

- Trying to balance the budget by cutting discretionary spending will not make a serious dent in the problem.
- Discretionary spending funds a wide array of public programs and services Americans want.
- In most cases programs administered by the federal government cannot be carried out as efficiently by private agencies.
- Across-the-board cuts would lead to senseless reductions of essential public programs.

**APPROACH TWO**>> **Unfunded Liabilities****Trim Social Security and Medicare**

If we're serious about closing the budget gap, we will have to turn our sights on Social Security and Medicare. These two programs represent

about one-third of the federal budget and may soon founder under costs of programs for retiring baby boomers. Unless we make major changes in these programs, the national debt will continue to soar.

**What can be done?**

- Agree to stop expansion of benefits or coverage by Social Security or Medicare.
- Gradually reduce benefits provided by Social Security.
- Raise the age of eligibility for Social Security.
- Raise the cost of copayments for Medicare.
- Reduce benefits for middle- and high-income retirees.

**Trade-offs**

- To significantly lower the cost of Medicare, it may be necessary to ration high-cost medical procedures.
- To keep the Social Security program afloat, Americans may have to accept cuts in benefits, such as cost-of-living benefits.

**Opposing voices**

- It's not fair to balance the budget on the backs of senior citizens.
- Cutbacks in Social Security would undermine the security and health of America's older citizens.
- If we agree to defer the age of eligibility for these programs for a year or two, what assurance do we have that the age will not be redefined again to age 72 or higher?
- Providing for the older generation is a common obligation of every industrial society.

**APPROACH THREE**>> **The Revenue Solution****Raise Taxes**

The problem is not excessive federal spending; it is insufficient revenue. For years Americans have been told by political leaders that taxes could be lowered while

the federal government raises benefits, provides more programs, and increases defense spending. It is time to face the facts and make tough decisions about how to raise additional federal revenue.

**What can be done?**

- Let recently enacted tax cuts expire.
- Raise tax rates in each income bracket so all Americans will pay a little more.
- Make tax rates more progressive by raising taxes the most for the wealthiest Americans.
- Aggressively reduce loopholes in the tax code.
- Introduce a national sales tax on retail sales.

**Trade-offs**

- The return to a more progressive tax system that demands more from wealthy families may convince middle-class Americans to accept higher taxes as well.
- Special taxes, such as a sales tax or a carbon tax on fuels, will produce considerable revenue but they can be unfair to some segments of the population.

**Opposing voices**

- Putting the U.S. tax burden in the same high range as welfare states in Western European is wrong for this country, which has a fundamentally different philosophy about the role of government.
- Additional federal taxes would lead to more spending, not smaller deficits.
- Higher taxes would have a stifling effect on the economy.
- Raising taxes on the wealthiest Americans would amount to "soaking the rich." They already pay a disproportionate share of federal taxes.