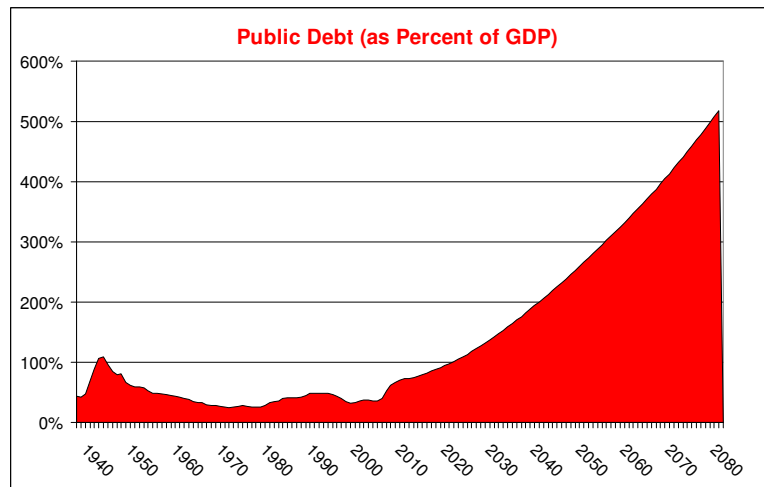




In Search of Fiscal Responsibility: Ten Questions to Ask the Candidates October 20, 2010

Fiscal responsibility is one of the major issues this campaign season, with a recent Bloomberg News poll indicating that voters rank the federal budget deficit as the second most important issue facing the country, falling right behind the economy/jobs. As Election Day approaches, more and more candidates will assume the mantle of fiscal responsibility, but often, they will not offer the specific policies to back up their rhetoric. The nonpartisan Committee for a Responsible Federal Budget suggests these 10 questions as a way for voters to help gauge a candidate's true fiscal bona fides.



Sources: Office of Management and Budget (historical) and CRFB (projected)

1. Picking a Fiscal Goal. Do you believe the country has a serious fiscal problem? If so, do you think the country needs a “fiscal goal?” What particular fiscal goal would you support? *The current fiscal path is unsustainable. Public debt is on course to pass 100% of GDP in the 2020s and 500% in the 2080s. The Peterson-Pew Commission on Budget Reform has argued for a fiscal goal of 60% debt-GDP by 2018 to reassure credit markets that the United States is on course to gradually bring its debt back to sustainable levels.*

2. Going Beyond the Budget Myths. Eliminating waste, fraud, abuse, earmarks, and tax evasion will not solve our fiscal problem. What other specific cuts are you willing to accept? *Yes, wasteful government spending should be eliminated, earmarks are bad process, and we should collect all the taxes that are owed—thereby closing the “tax gap.” But that is not enough. The largest drivers of the debt are aging, growing healthcare costs, and the imbalances between how much we spend and what we pay in taxes. It is hard to imagine a credible budget plan that does not include changes to these areas of the budget as well as defense, domestic discretionary spending...and...well, pretty much all areas of the budget.*

3. Paying As You Go. If you support new spending programs or tax cuts, will you offset the costs so they don't add to the deficit? *The current pay-as-you-go requirement has so many exemptions it still will allow trillions of dollars to be added to the debt. But the principle is still an important one in budgeting, and should be strengthened. Candidates who suggest new spending programs or tax cuts need to specify how they would pay for those policies so they don't add to the deficit.*

4. Extending the Tax Cuts. Do you support extending some or all of the tax cuts? *Permanently extending all of the expiring 2001/2003 tax cuts, along with continuing to patch the Alternative Minimum Tax, would cost nearly \$4 trillion over the next ten years. Even allowing the tax cuts for families making over \$250,000 to expire, as the President has proposed, would still increase the deficit by over \$3 trillion over the next ten years. The director of the non-partisan Congressional Budget Office recently testified that financing the extension of the tax cuts through borrowing would crowd out private investment, damaging the economy by as much as 11 percent of GNP by 2040.*

5. Strengthening Social Security. Do you believe that Social Security is in financial trouble? If so, what should be done to strengthen it? *The Social Security Trustees' most recent report says that Social Security will run a cash-flow deficit of more than \$40 billion this year, \$100 billion by 2020, and more than \$450 billion by 2030. As the Trustees state, "The projected trust fund shortfalls should be addressed in a timely way so that necessary changes can be phased in gradually and workers can be given time to plan for them. Implementing changes sooner will allow the needed revenue increases or benefit reductions to be spread over more generations."*

6. Finding Savings in Defense. Do you think we should pay for any additional war costs by cutting other programs or raising taxes, instead of continuing to borrow to fund them? Do you believe that defense cuts should be one way to decrease the federal debt? *This is the only time in our nation's history when we have not increased taxes during a prolonged war. Thus far, approximately \$1 trillion has been appropriated for military operations in Iraq and Afghanistan. Total defense spending was \$692 billion this year, or 4.7 percent of GDP. This spending is a post-World War II high when measured in constant dollars.*

7. Controlling Health Care Costs. Will more have to be done to control federal health care costs? If so, what? *Health care costs remain the biggest threat to our fiscal health in the long run and are set to continue growing faster than the economy. The Congressional Budget Office projects direct federal health care costs will total 9.7 percent of GDP by 2030 and 13.7 percent by 2050.*

8. Raising Taxes. Will we need to raise taxes to gain control of the federal debt? If not, and you think it can be done all through spending cuts, which ones? *It is very difficult to lay out a credible deficit plan that would not increase taxes. It is also very difficult to develop a comprehensive plan that would not raise taxes on families making less than \$250,000 per year. If a candidate is willing to raise taxes, which ones? If not, what spending cuts would they support instead? Tax expenditures, the tax breaks that are often narrowly targeted and benefit relatively few taxpayers, also must be addressed. They are spending by another name; with little oversight by policymakers or analysis of their effectiveness.*

9. Rejecting Pledges. Rather than saying what you would not do, will you focus on what you would do to fix the problem? *Committing to pledges—whether to oppose tax increases, or not to touch Medicare or Social Security benefits—reduces lawmakers' ability to properly evaluate solutions and budget tradeoffs and govern effectively. No candidate should make promises about what solutions should be "off the table" without explaining how they would fix the problem.*

10. Considering Proposals from the Fiscal Commission. When the White House Fiscal Commission makes its recommendations, will you consider the proposals and suggest alternatives for those you do not support? *The fiscal commission has been tasked with developing a plan to fix the nation's fiscal problems, to be released in early December. The recommendation can be the first step in a national dialogue about how to fix the nation's budget problems. Lawmakers must help the process by either supporting the Commission's ideas or proposing alternatives that would be at least as helpful in reducing the national debt.*

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