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How America's Debt And Deficit Became An Afterthought In Washington



by JIM KUHNHENN: 02/20/2014

WASHINGTON (AP) — Just four years ago, deficits and debt were an explosive political combination, propelling Republicans to control of the House and fueling the budget fights that would ensue over the next three years.

Today, they are an afterthought — a dying ember in Washington's political and policy landscape.

The nation's annual deficit, the amount the government spends beyond what it receives in revenue, has been cut by nearly two-thirds from its 2009 high, thanks to a combination of tax increases, an improving economy and mandatory across-the-board cuts in programs from defense to transportation to education.

And lawmakers, fatigued by their budget battles, have called a truce and abandoned the brinkmanship that led to unnerving default threats and a partial government shutdown.

As a result, the impulse to cut will be decidedly weaker when President Barack Obama's submits his latest budget plan to Congress early next month. The White House drove home the point Thursday when it said Obama's budget would drop his past offer to cut spending on federal benefits with lower cost-of-living increases for beneficiaries.

"It's hard to deny that there is less political momentum at this moment, in the year 2014, for the type of extensive budget negotiations we saw in 2011 and 2012," said Gene Sperling, the director of the White House's National Economic Council and a close Obama adviser.

That doesn't mean the problem has been solved. Far from it. The nonpartisan Congressional Budget Office projects deficits will rise again in a couple of years, pushed up by an aging population, rising health care costs and anticipated increases in interest on the nation's debt, the amount accumulated over the years by deficit spending.

But the public has shifted its anger.

The 2008-2009 bank bailouts and the stimulus spending that Obama set in motion in 2009 sparked the revolt in 2010 as swing voters — those who might vote for either Democratic or Republican candidates — demanded more fiscal accountability. With another midterm election this year, swing voters appear more concerned about their own personal economic circumstances, and Republicans are focused on making the election a referendum on Obama's health care law.

A Gallup poll last week showed public preoccupation with debt and deficits falling as concerns over jobs took over as the top worry for Americans. Health care continued to rank among the top problems cited by those surveyed, though it has dropped slightly from its high in November during the botched enrollment rollout of the law.

"Deficits and debt remain salient with the Republican base, but the middle has moved on," Republican pollster Wes Anderson said. "They were there in 2010, but now they are pretty strongly focused on Obamacare, with the economy as an issue picking up steam."

Indeed, Republicans are now not only attacking the health care law but shifting from calling for cuts to complaining about them.

House Republican leaders drew attention to the health care law's reductions in spending for Medicare Advantage, an option available to older Americans who are eligible for Medicare. In a letter to Obama, House Speaker John Boehner and other top House Republicans complained that the cuts, which Republicans themselves have included in past budgets, would result in higher health care costs for those who enroll in the program.

"Now is not the time to shortchange seniors' choices," the Republicans wrote in a not-so-veiled appeal for the over-65 vote.

That fundamental shift in attention may well be both a blessing and a curse.

If the cease-fire over budgets holds, the economy no longer will be convulsed by eleventh-hour negotiations, missed deadlines, threatened shutdowns and fears of jeopardizing the nation's credit. The new 2014 projection from the Congressional Budget Office — \$514 billion this year from a \$1.4 trillion high 2009 — means this year's deficit would be about 3 percent of the nation's economic output, good news in that it would virtually match the average percentage of the past four decades.

But the nation's debt continues to grow, the CBO says, ever rising as a share of the nation's gross domestic product. The CBO estimates that the federal debt will equal 74 percent of GDP at the end of the year, the highest since 1946, and it projects that based on existing laws, it will rise to 79 percent in 2024. The main drivers of the debt are the government's biggest benefit programs — Social Security, Medicare and Medicaid. The government revenue stream is simply not keeping up with the aging population and with the increases in the cost of care.

The CBO also predicted that after 2016, the health care law also will lower total working hours as many employees choose to cut back on work to qualify for federal insurance subsidies. Such a reduction would contribute to lower tax revenues and thus higher deficits, CBO director Doug Elmendorf said. That conclusion has become yet another piece of Republican ammunition against the law.

White House officials say the revenue projections in the president's budget won't be as pessimistic as CBO's, in part because they will factor in deficit reduction from their immigration overhaul plan. Under White House projections, deficits as a share of the economy will be below 2 percent after the 2023-2024 fiscal year. The CBO says they will rise to about 4 percent.

In 2011, Obama and Boehner came tantalizing close to striking a "grand bargain" that would have increased taxes and contained some of Medicare and Social Security costs. But the deal didn't hold.

It's difficult to imagine a set of circumstances anytime in the near future that would bring both parties that close to a significant deal again. Instead, the \$1.1 trillion budget agreement struck by House Budget Chairman Paul Ryan, R-Wis., and Senate Budget Chair Patty Murray, D-Wash., eased across-the-board mandatory spending cuts and defused any chance of an election-year shutdown.

"They kind of did a grand bargain — they agreed not to do anything," said Robert Bixby of the budget watchdog group The Concord Coalition. "The Ryan-Murray budget was basically an agreement to stop fighting."

The past three years of confrontations have focused almost exclusively on those aspects of the budget that require annual approval — the "discretionary" portion of the budget. Untouched have been the huge benefit programs, which are most responsible for the debt.

"The tragic part of it is, all the anguish we're going through isn't dealing with two-thirds of the American budget," said former Sen. Alan Simpson, the Wyoming Republican who co-chaired a presidential debt commission created in 2010.

Politically, Social Security and Medicare are much tougher to tackle. While the public does demand fiscal discipline, it often rebels when spending reductions affect them. Consider the GOP letter demanding restoration of Medicare Advantage cuts. Or a recent letter from 16 Senate liberal Democrats calling for Obama not to include in his budget any provision that would reduce increases in Social Security benefits to future retirees. As it turns out, Obama will not.

"You're never going to hit anybody because they'll roll in and roll you over," Simpson said.
