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Debt ceiling: A squandered deal



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After months of back-and-forth between President Obama and congressional leaders on raising the debt ceiling, the least one could expect is that the deal they finally reached would solve something. It does not. The best to be said for it is that it would preserve the United States' credit rating for another year and a half, and for that the nation can be grateful. But it doesn't chart a path out of the country's economic problems, the government's fiscal troubles or even Washington's dysfunctional squabbling.

One of the most striking things about the proposed agreement, which the House approved Monday, is how little progress was made in the months of talks. It doesn't slow the growth in entitlement spending or curb the exemptions and deductions that have proliferated through the tax code. Entitlements were taboo for too many Democrats, and tax increases for too many Republicans.

Instead, the most tangible part of the proposed deal is an agreement to hold down total spending on discretionary programs from fiscal years 2012 through 2021. The proposal would set next year's limit far below the current level of spending, then allow it to rise less than 2% on average each year. Because that's less than the rate of inflation and U.S. population growth, Republicans can legitimately claim that the deal reduced the size of government almost immediately, and will shrink it further every year.

That's not much of a victory for the GOP, though, considering that discretionary programs aren't the real fiscal problem for Washington. They mushroomed in response to the recession and two overseas wars. Assuming the economy recovered and the wars ended, those expenditures would have naturally receded without the imposition of an artificial crisis that roiled markets and subverted confidence in the American economy and government.

The long-term challenge for the federal budget is in benefit programs. Rising healthcare costs and the aging population are driving the budgets for Medicaid and Medicare through the roof, causing those programs to consume an ever-larger percentage of the budget. The healthcare reform law should help, but unless changes are made, the growth in Medicare and Medicaid will gradually force federal and state governments to slash funding for other priorities. And although the payroll taxes that fund Social Security prevent it from adding to the deficit, within three decades it's expected to run short of the money needed to pay the growing ranks of

retirees their full benefits.

Lawmakers have seen these problems coming for years, and yet they've failed to find the political will to address them. The proposed deal is no exception. It hands off the task of reforming entitlements and the tax code to a bipartisan group of 12 members of Congress hand-picked by House and Senate leaders. This joint select committee would have a little more than five months to come up with a proposal that closed the budget gap by \$1.5 trillion over the next decade. That's a big number, but it probably wouldn't reduce deficits enough to stop the national debt from growing faster than the economy — a level of stability that should be the goal for any budget plan.

Hitting the \$1.5-trillion target would require Republicans and Democrats to agree on some politically treacherous moves, such as raising the eligibility age for Medicare and scaling back some popular tax breaks for businesses and families. As difficult as that may be, several ambitious deficit-cutting plans have drawn bipartisan support over the past year, most recently the one outlined by the so-called Gang of Six senators. But the debt-ceiling talks again offer little evidence of lessons learned. As was the case during the deliberations of the White House fiscal commission last year, House Republicans in these talks showed no willingness to compromise. For them, any change in the tax code that increases revenue is simply off the table. And for Obama and congressional Democrats, cutting benefit programs significantly without paring tax breaks for corporations and the wealthy is equally unacceptable.

The proposed agreement tries hard to make sure lawmakers bridge these differences. It would guarantee a vote in both chambers for any plan agreed to by the joint select committee, without amendment or delay. And if the committee can't agree on a plan, or if it can't sell it to the rest of Congress, the agreement calls for \$1.2 trillion worth of automatic, across-the-board cuts through fiscal year 2021, including \$500 billion in defense spending.

That's a tough enforcement mechanism, and it's far better than one that threatens the federal credit rating. Nevertheless, it's a one-sided fall-back position. It provides only for spending cuts, not the mix of cuts and revenue that Obama had demanded.

The one thing the Obama administration gets out of the proposed deal is a degree of confidence that the debt limit won't be taken hostage again until 2013. That's not because the proposal increases the debt limit — it doesn't. Instead, it gives Obama the authority to do it, subject to a vote by two-thirds of the House and Senate to block the increase. That's a shameful abdication of congressional responsibility, but under the circumstances, it's hard to bemoan Congress yielding power.

Most tragically, the deal provides no certainty about the ultimate resolution of the capital's fiscal mess. Instead, the House Republicans' success in forcing concessions out of Obama and Senate Democrats only encourages them to follow the same game plan next month, when Congress has to adopt a set of spending bills to keep the government operating past Sept. 30. A dispute between House Republicans and Senate Democrats has already forced the Federal Aviation Administration to suspend construction projects at airports around the country, idling 70,000 workers. Washington may have averted a partial government shutdown this week, only to invite more of them in the months to come.

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