

The Untold Story In The Budget Debate

By Kent Conrad

Lost in the press coverage of the ongoing budget debate is the fundamental difference between the new Republican and Democratic approaches to budgeting. Surprisingly, it's not the classic 'Democrats want to spend more; Republicans want to tax less.' In fact, the primary difference between the President's budget plan and the Democratic alternative is that the Democrats want to pay down more debt and do more to prepare for the demographic tidal wave that will hit Social Security and Medicare when the baby boom generation retires.

The President says he would pay down \$2 trillion of the public debt over the next ten years, saddling our children with over a trillion dollars in unpaid bills. In contrast, the Democrats propose reserving \$2.9 trillion for reduction of this debt, greatly diminishing the debt burden to be passed on. The Bush Administration has claimed that it would pay down all the debt that they can, but experts agree that much more than \$2 trillion could be paid down without incurring unreasonable costs.

Federal Reserve Chairman Alan Greenspan has noted that only about \$750 billion of public debt matures outside this ten-year window or consists of hard-to-redeem debt. And Gary Gensler, the senior Treasury Department official in charge of the Clinton Administration's successful debt buydown program, has stated that all but \$500 billion could be paid down over the next ten years.

Perhaps even more important, the President's budget would make the long-term fiscal crisis worse. In ten years, just as the President's proposed tax cut would be fully implemented, the front-edge of the baby boom generation will begin to retire. The Social Security and Medicare Trust Funds now in surplus will go into deficit over the following years as the workforce shrinks and the number of retirees grows.

The President's budget compounds this problem by diverting \$600 billion from the Social Security Trust Fund to help fund private accounts. This diversion, while allowing the President to claim that his budget would prepare for the long-term fiscal problems that lie ahead, would actually do the opposite by reducing the Social Security Trust Fund and driving it into insolvency even sooner. Further, to help pay for its massive tax cut, the President's budget threatens to directly raid the Medicare Trust Fund by including Trust Fund surpluses in a 'contingency fund' that could be spent for other purposes.

Democrats aren't the only ones warning of the coming fiscal problems for Social Security and Medicare. David Walker, the head of the General Accounting Office, recently testified that "while the projections for the 10-year period look better, the long-term outlook looks worse," and that "demographics will overwhelm the surplus and drive us back into escalating deficits and debt."

There are no easy answers to this looming fiscal problem. But unlike the President's

plan, which makes the problem worse, the Democratic budget proposal acknowledges the problem and sets aside \$750 billion of projected surpluses towards a solution. This money could be used to develop individual retirement accounts similar to the Thrift Savings Plan accounts held by all federal workers or to fund other proposals to strengthen Social Security and aid in the shift to a sustainable retirement program for our nation. We know that nearly every plan that has been proposed to strengthen Social Security would require the use of additional funds and it only makes sense to begin to set aside the resources that we will need.

It is certainly true that the President has proposed more for tax cuts – backloaded and skewed to benefit the wealthiest – and less for needs like education, prescription drugs, and defense; but the real difference in our budget priorities lies in the Democrats’ desire to pay down more of our nation’s debt and to begin preparing for the long-term needs of the American people.

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