

### The Fiscal Future Comes Due

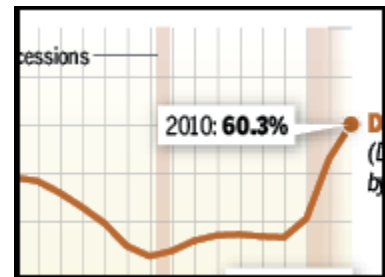
David Clarke, John Cranford, Richard Rubin and Kerry Young, CQ Staff

Last week provided some validating, if frustrating, moments for Washington’s deficit hawks, who are trying to loose the political bonds that prevent serious discussion of the threats posed by runaway annual budget deficits and rapidly accumulating debt.

The hawks got their wish, after a fashion, to have the fiscal policy debate pushed to the top of the agenda. In his State of the Union address last week, President Obama agreed that the nation’s economic health is threatened by what he called “a mountain of debt” that could damage financial markets, raise the cost of borrowing and undermine the recovery. The president promised to appoint a bipartisan commission to make specific recommendations to right the government’s fiscal imbalances, and to do so soon. “I refuse to pass this problem on to another generation of Americans,” he said.

This is all pretty standard fare for State of the Union speeches — the notion that reducing the deficit is a moral and a generational obligation. Federal deficits have always been portrayed as something that, if not tamed, will come to haunt our children or their children or even generations beyond that. The choice was always one of short-term sacrifice for long-term stability.

Now, though, the problem can no longer be described as a burden to future generations; it is owned by the current one. Budget and economic experts across the board say the country can no longer spend now and pay later — it has become a question of paying now as well as later.



Borrowing Surges as Red Ink Flows: [Click Here to View Chart](#)

“What was once a long-term fiscal problem has become a more immediate one, which requires that we take action much sooner than we needed to a few years ago,” Maya MacGuineas, president of the Committee for a Responsible Federal Budget and one of the more prominent deficit hawks in Washington, told the House Budget Committee on Jan. 21. “We no longer have the luxury of time on our side.”

What were previously regarded as vague, long-term obligations are now colliding with the present in three major ways:

- The U.S. government is at the point where entitlement spending — commitments such as Social Security and Medicare — is starting to skyrocket and deplete available financial resources as members of the baby boom generation retire and health costs rise. This has been predicted for years, but Congress hasn’t figured out a way to generate adequate revenue to pay for it or to curtail benefits.

- The government's debt is becoming so large that just paying the interest on it is threatening to overtake a dangerously large portion of the budget and the overall economy. Many economists worry that, left unchecked, the size of the debt may raise serious doubts with creditors at home and abroad about the government's ability to repay it altogether.
- One of the government's answers to such fiscal crises — increasing revenue — is limited by structural issues with the U.S. tax system. The current tax code is strained and its ability to generate needed revenue is in doubt for the near future, and more so for the longer term.

So, while Obama framed the issue as a pressing matter, even his characterization might have understated the seriousness of the problem. That urgency may be made clearer with the release of Obama's budget request this week.

The president is expected to unveil a fiscal 2011 budget of more than \$3 trillion that freezes non-military discretionary spending at this year's levels. While the budget is expected to contain some marginal changes to the short-term deficit forecast, it is expected to offer little to alter the country's fiscal picture for the longer run.

And doing so will be extremely difficult — even by the standards of the old formula embedded in Washington's consciousness that fixing the budget involves “hard choices” that entail spending cuts opposed by Democrats, tax increases opposed by Republicans or a combination of sacrifices that voters might well find distasteful.

The inability or unwillingness of politicians to make those choices pushed many lawmakers to favor creating a debt commission that might present Congress with broad, well-formed ideas for which the necessary political trade-offs had already been made.

The problem is that while a commission may give Congress some cover on the tough decisions, lawmakers don't like to give up the authority that comes with those decisions. Deficit hawks had hoped Congress would impanel its own commission and require votes on recommendations proposed by a sufficiently large majority of the panel, a condition that won't apply to Obama's commission. But while a bipartisan majority of senators — 36 Democrats, 16 Republicans and one independent — voted in favor of that proposal, it still lacked the 60 votes necessary to approve it.

Many lawmakers were worried that the commission would either usurp their authority or present them with spending and taxation alternatives that they didn't necessarily want to face. For now, that has left the commission proposal and any comprehensive effort to address overarching budgetary concerns in the president's hands.

Fittingly, this debate came as an amendment to a measure to raise Washington's borrowing limit to \$14.29 trillion, an amount roughly equivalent to the entire output of the U.S. economy last year. The last time the debt was such a large share of the economy was at the end of World War II. And the proposed increase in the debt ceiling of \$1.9 trillion is greater than the total owed by the federal government as recently as 1985.

This kind of debt, experts say, will further limit Congress' flexibility in spending and create political problems the next time lawmakers need emergency funding — for a response to a natural disaster or a foreign policy situation, for instance.

There is some indication that the public has already focused on this issue. A Pew Research Center poll last month showed that 60 percent of Americans now say the deficit is a serious matter that must be addressed before most other problems. That's the highest percentage in more than a decade and a big jump from a year ago. In terms of seriousness in the public's mind, that places the deficit between securing Medicare for the future and containing rising health care costs.

The problem is that the voters may want fiscal restraint, but politicians are faced with difficult conflicts when it comes time to exercise that restraint. Such conflicts were evident last week as the Senate debated the debt commission. An amendment to exempt Social Security from the commission's mandate was adopted without a single "no" vote — not because the program is fiscally sound but because it is politically fraught.

Another example is Obama's proposal to freeze non-security discretionary spending for three years. Some Republicans acted as if they want it to take effect immediately.

Assuming the president does establish a debt commission, a mandate to merely constrain the growth in the debt will be difficult enough, probably requiring limits on spending and increased revenue either from tax increases or faster economic growth, or both. To actually reduce the government's debt will require running large and consistent budget surpluses for many years, something the federal government has never proved capable of doing.

Spending, tax and debt policies are so intertwined that each affects the bottom line. What follows is an examination of the debt problem through each of those lenses — fundamental starting points for any serious examination of the issue, whether or not a special commission is asked to tackle the hard questions.

#### SPENDING: Every Line Item Has Defenders, and There's More to Buy

The president himself explicitly acknowledged the widespread desire for fiscal prudence by calling last week for a three-year freeze in total appropriations for non-security discretionary programs, which would reduce the deficit by \$250 billion over a decade.

The proposal is likely to draw as many detractors for being too large as for being too puny. That illustrates two important truths about the deficit: Getting agreement on where to reduce spending will be exceedingly difficult, and the act of seeking savings can sometimes extract far more political pain than it yields in benefit to the bottom line.

One basis for those truths is that nothing appears in the budget by accident and that every line item — whether it's \$750,000 for the Christopher Columbus Fellowship Foundation or \$430 billion for Medicare — has vigorous defenders on and off Capitol Hill.

“There is nothing easy to get consensus on,” said Robert L. Bixby, executive director of the Concord Coalition, one of several prominent groups that advocate fiscal responsibility.

But it's also the case that fights over small bites of discretionary spending can dominate the headlines for weeks, obscuring and postponing the more meaningful struggles to overhaul the big entitlement programs that will add the most to the debt in coming years.

In the last full fiscal year, which ended in September, the government spent \$3.5 trillion. About one-third went to discretionary programs enacted through the regular appropriations process, and the rest went to mandatory and entitlement programs and interest payments on the federal debt.

Discretionary spending has grown in recent years in large part because of efforts by Congress to jump-start the economy, build a safety net under financial institutions and spur job creation. The \$787 billion economic stimulus package enacted a year ago boosted discretionary spending by almost \$300 billion over two years.

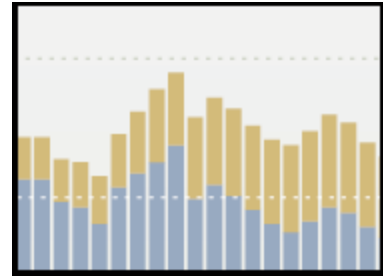
Not including the costs of military operations in Iraq and Afghanistan, economic stimulus efforts and emergencies, discretionary spending is expected to grow by 7 percent in the current fiscal year, to \$1.1 trillion.

In the future, however, discretionary accounts are more likely to shrink both as a share of the overall budget and when measured against the output of the economy.

By contrast, mandatory spending and interest payments are expected to increase rapidly by both measures. The Congressional Budget Office (CBO) projects that Medicare, Medicaid and Social Security combined will grow to 12 percent of gross domestic product (GDP) by 2019 and 17 percent by 2035, from 9 percent in fiscal 2009.

**Symbolism of Less Substantial Cuts:** Though discretionary spending is a small and shrinking slice of the budget pie, it often gets the most attention because Congress debates appropriations every year. Moreover, in recent years an even brighter spotlight has shone on the earmarks that lawmakers insert in appropriations bills and that amount to tiny slivers of the budget.

Divining where to seek savings in discretionary spending requires deciding which programs are worthiest given the national priorities of the moment. In his State of the Union message, Obama alluded to that notion by promising his freeze would still allow some federal activities to grow.



Spending Close to a Record:  
[Click Here to View Chart](#)

“The key to appropriations is that while you’re reducing in certain areas, where are you increasing things that are for long-term investments,” said G. William Hoagland, a longtime GOP Senate budget aide who’s now vice president for public policy at health insurer Cigna Corp.

Some make the case that trimming discretionary spending sends an appropriate signal to all sides in the budget debate. If a president lobbies hard for his proposed cuts, especially in the face of congressional opposition, it might yield benefits larger than the monetary savings.

“That could be an important thing for demonstrating a seriousness and that things are going to have to be different than they have been for the past 10 to 12 years, even if at the end of the day the dollars that you save are only a tiny, tiny bit of what you need to do in the longer run,” said James Horney of the liberal Center on Budget and Policy Priorities.

While Obama has concentrated his attention so far on the domestic side of the discretionary spending ledger, he may find more significant savings on the defense side. The government has spent more than \$1 trillion for the wars in Iraq and Afghanistan and other military activities related to the Sept. 11 attacks, according to the Congressional Research Service. But as forces leave Iraq, military spending could be significantly curtailed — so long as money for Afghanistan does not soar.

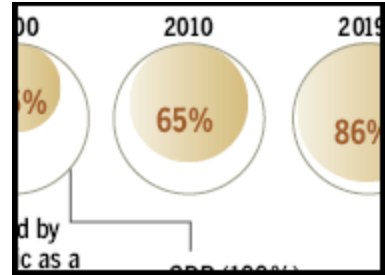
**Entitlement Spending Issues:** Most budget experts agree the only way to truly control federal borrowing will be to constrain the cost of the three big and politically sensitive entitlements: Medicare, Medicaid and Social Security.

Reducing the rate of growth for any of those is sure to spark opposition — particularly from liberals, who lament that the social safety net programs are too often called on to shoulder the burden of fiscal restraint.

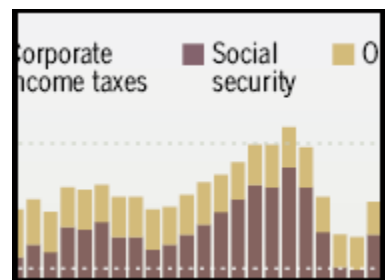
Nonetheless, fiscal hawks are optimistic Congress could be persuaded to alter these programs in order to save money in the long run without damaging their basic purpose and functions.

“There are lots of illustrations of things that would be fairly small changes but would accumulate to a large impact on the deficit,” said Alice M. Rivlin, a White House budget director under Bill Clinton and CBO director before that. As examples, she suggested raising the retirement age for collecting Social Security benefits and imposing an income limit for Medicare and Social Security beneficiaries.

It has long been known that the costs of Social Security benefits would exceed the taxes that pay for them sometime early in this century. The most recent report from the Social Security trustees



Spending, Interest Costs Rise as Debt Soars: [Click Here to View Chart](#)



Revenue Slides With Economy: [Click Here to View Chart](#)

shows that the break-even point is likely to occur in just six more years and that Social Security will have exhausted the reserves in its trust funds by 2037, requiring a mandatory reduction in benefits.

Many budget experts argue that filling in the Social Security shortfall would be relatively easy to accomplish because the options are all understood well. And lawmakers from both parties have professed an interest in making changes to Social Security soon.

But supporters argue that those calling to “fix” the income support program for the elderly have tried to raise fears about a crisis that goes far beyond the actual problem. They contend that calling for a reduction in Social Security benefits is unwarranted now, particularly because the economy is far from recovered and many retirees or near-retirees saw their savings reduced during the recent stock slump.

Finding savings from Medicaid and Medicare will be even more difficult. The growth in spending on these health programs is tied to medical inflation nationally, and there are no easy answers for reversing this trend.

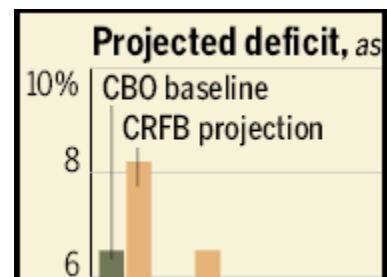
In addition, Democrats have relied heavily on Medicare savings to help offset the cost of insuring people who now lack coverage. If the health care overhaul isn’t enacted, Congress might try again to tap those savings. But the savings were hard enough to achieve in the name of near-universal health care — a goal atop the party’s wish list for decades. Making similar cuts in the name of deficit reduction is likely to be more politically difficult.

And any significant attempt to curb the programs will require far more willingness from both parties to cooperate. “The political dysfunction is astounding,” Bixby said. “You need a bipartisan commission to look into establishing a bipartisan commission.”

#### REVENUE: Tax Code And Voters Won’t Make Raising Money Easy

Before any debt commission proposes revenue increases to close the nation’s long-term imbalances, it will be compelled to face two realities.

One is that the political consequences of tax hikes are tough to ward off; as a general rule, lawmakers who vote to raise taxes get in big trouble with their constituents. The second is that the tax code is so full of exemptions, deductions and exclusions that it does not make an easy vehicle for modification.



But if lawmakers wanted to raise a lot of money quickly, they could succeed by doing nothing. Unless Congress votes this year to extend the tax cuts of 2001 and 2003, they will expire, generating more than \$3 trillion in revenue over the next decade. But that would mean higher income taxes for most Americans and higher tax rates on capital gains and dividends, and that clearly won't happen. Republicans want all these tax cuts extended, and Obama and the Democrats want to preserve most of them, permitting increases only for people with the highest incomes.

Taxes Drive Deficit  
Forecast: [Click Here to View Chart](#)

But that political calculation denies fiscal reality, said Alan J. Auerbach, a tax policy expert at the University of California at Berkeley. "You have one party which says it's not going to raise taxes at all," he said. "You have another party that says it's not going to raise taxes on anybody below \$250,000. And those are both untenable positions."

Congress has begun considering a list of revenue options with a dose of populism tailored to the public's mood. Politically unpopular groups, such as bankers and oil companies, can be easy targets for tax increases, even if the ultimate effect might be price increases for the public.

Populist sentiment is the animating idea behind Obama's proposed "fee" on large banks, a tax on financial transactions proposed by Democratic Rep. [Peter A. DeFazio](#) of Oregon, a tax on bonuses proposed by Democratic Rep. [Peter Welch](#) of Vermont, widely proposed taxes on oil and gas production, and repeated attempts by House Democrats to increase taxes paid by private equity managers.

Because each of those ideas is narrowly aimed, they are relatively easy to propose without angering many constituents. But the targets also tend to be influential, and the fact that none of these ideas has become law shows how successful opposition lobbying efforts can be.

Democrats also demonstrated their willingness to tax wealthier individuals during the recent debate over health care. The House bill, for instance, would impose a surtax on couples who make more than \$1 million a year, and the Senate bill would increase the payroll tax for couples who make more than \$250,000. Those proposals conform to Obama's campaign pledge to boost taxes only on the rich, so if they aren't adopted as part of a health care bill, they might be available to pay for other programs.

But Democrats won't get much cooperation on this score from Republicans, who largely see the future deficits as a spending problem. "If somebody can show me how we're going to get a tremendous amount of control over the widespread spending practices that are out of control, I'm open to doing whatever is in the best interest of our country," said [Orrin G. Hatch](#) of Utah, who is expected to become the ranking Republican on the Senate Finance Committee next year. "But they're going to have to really sell me on any type of revenue increase."

The absence of bipartisanship will make it tougher to enact any sort of far-reaching and big-money-generating proposal. Ideas such as broadening the corporate tax base, changing the tax rules for multinational corporations or raising gasoline taxes are hard to imagine under one party's initiative.

At the same time, even some conservatives acknowledge that revenues are likely to be increased as the budget imbalance worsens. Alan D. Viard of the American Enterprise Institute said he would prefer to focus on the spending cuts, but he sees the growth of government, and thus tax revenue, as a “fiscal reality.”

**Weaknesses in the Tax Code:** Yet under a scenario where revenues would eventually expand to approach spending demands, the income tax itself would be stretched thin and probably not prove up to the task.

A recent study by the Tax Policy Center, which is jointly run by the Brookings Institution and the Urban Institute, showed the limitation of using the current income tax to narrow the budget gap. The study examined how high tax rates would need to rise if they were the sole mechanism for shrinking the budget deficit to 3 percent of GDP in this decade. If the 2001 and 2003 tax cuts are not extended, the goal could be achieved by raising the top two rates from 36 percent and 39.6 percent to 39 percent and 42.9 percent.

But the more likely scenario presents a set of much more difficult choices. Their presumed budget baseline, which included the extension of most tax cuts and the restriction of any rate increase to the top two brackets, would require top tax rates of 72.4 percent and 76.8 percent.

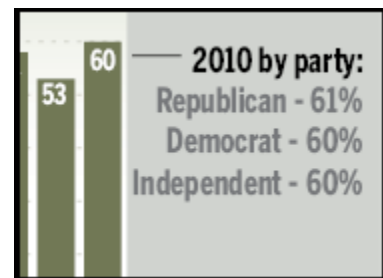
The relatively straightforward analysis didn’t consider every option, but it demonstrates the limitations of Obama’s pledge not to raise taxes on the middle class.

“You just can’t do it by taxing the very rich alone,” said Rosanne Altshuler, an author of the study.

She said the president should begin designing a tax code overhaul that would broaden the base and lower rates while still raising more money than the current system. “He has to take a deep breath and tell the American people that when he was campaigning we had a very different economic outlook and economic situation than we do today,” she said.

Other analysts point to the weaknesses in the current code, namely a tax base shot through with holes caused by “tax expenditures” big and small. That term refers to such entrenched tax benefits as the home mortgage interest deduction (which will result in an estimated \$120 billion in forgone revenue next year) to the exclusion of employer-provided transportation benefits (costing \$4 billion) to a corporate tax credit for “orphan drug research” (costing \$500 million).

Because many of these tax breaks are permanently written into the tax code, they don’t show up anywhere on a revenue and spending analysis, and they don’t get much scrutiny, said Edward Kleinbard, a professor at the University of Southern California Law School and former chief of staff of the congressional Joint Committee on Taxation. In 2008, he said, tax expenditures resulted in forgone revenue of \$1.2 trillion, more than was raised by the individual income tax.



Public Puts A Priority On Deficit : [Click Here to View Chart](#)

Tax expenditures aren't necessarily bad, but they deserve regular examination, Kleinbard said, because many are simply spending programs in disguise. "Today, we live in this fiscal fog where we hear the term 'targeted tax break,' and we think that we're reducing taxes when we're either increasing the deficit or raising taxes on someone else," he said.

Moreover, the choice isn't between a tax code with a home mortgage interest deduction and one without. Tax expenditures can be gradually narrowed over time, and Congress has recent experience in trying to do that. The Senate health care bill would impose an excise tax on high-cost insurance plans to steadily squeeze one of the largest tax expenditures, employer-provided insurance.

Such an incremental approach, however, requires political will to prevent Congress from renegeing on the deal, a problem that bedeviled lawmakers in the aftermath of the 1986 tax overhaul, which lowered rates and broadened the base.

Beyond adjusting the income tax to allow it to collect more revenue, many tax experts say Congress may have to consider imposing a value-added tax, such as those of many major industrialized countries. A VAT is levied at each stage of production of goods and services, including the retail level, and functions as a tax on consumption, not income, which means it has different economic effects. Such a tax could raise a significant amount of money at a relatively low rate. Unlike the income tax, it wouldn't discourage savings and investment. The United States could also sort through the various VAT models used around the world and find ways to make sure that the tax does not undermine the basic progressive nature of the current tax system.

But it's also difficult to imagine how to find political support for a VAT, because any serious attempt to create a new layer of taxes alongside the income tax would meet with swift opposition.

Viard and other analysts say they aren't quite sure what would spur serious debate on such a far-reaching change. "When this comes about, it's going to be as part of a bipartisan agreement, which means there's going to be a recognition by both parties of the seriousness of the problem and a willingness to do something about it," he said. "You clearly don't see that now. You don't see the beginnings of that now."

## **BORROWING: A Habit That Needs to Be Brought Under Control**

It's been more than a half-century since the last time the U.S. government was this far in hock, with the amount borrowed from the public likely soon to equal 60 percent of the size of the economy. Then, unlike today, Americans could sense it in their daily lives.

To fight World War II, the government made successful appeals directly to citizens for extra cash. The debt swelled to 71 percent of GDP by 1943, up from 44 percent three years before. Americans invested in U.S. bonds, which were pitched by Hollywood stars and Treasury's poster campaign. "Slight sacrifice here and there, the omission of a few luxuries, all of these will swell the coffers of the federal Treasury," President Franklin D. Roosevelt said when bond sales began in the spring of 1941.

Budget hawks are waiting to hear this kind of candor from government officials today, though the message now would be about tough steps needed to curb the debt habit rather than to spur more borrowing.

The amount borrowed from the public (not counting debt held by intragovernmental accounts) is on track to reach \$8.8 trillion this fiscal year, equal to three-fifths of an expected \$14.6 trillion in economic output, CBO said last week. And by 2020, CBO forecasts, public borrowing will almost double to \$15 trillion and equal two-thirds of GDP, unless Congress and the White House curb the spending habit.

Many economists and former politicians from both parties are talking about the rise in the debt, the danger that it poses to the nation's economic future and what the public will have to give up to avoid catastrophe.

"We're going to have to ask the American people to sacrifice," said Republican Pete V. Domenici of New Mexico, a former chairman of the Senate Budget Committee who is serving as co-chairman with Rivlin on the Bipartisan Policy Center's new Debt Reduction Task Force. It will present long-term fiscal policy suggestions to lawmakers following this fall's election.

Many analysts stress that it would be unwise to attack the deficit at a time when the economy continues to struggle and unemployment remains high. That said, what's already clear to Domenici and Rivlin is that the nation needs a plan to curb the growth of the debt.

Since December, there have been at least four reports from respected economists and budget hawks on the same theme: Unless the United States gets its borrowing under control, it is in danger of spooking investors and as a result paying much more in interest costs. More than one analysis sees the debt rising to two or three times the size of the economy by the middle of this century.

"However, before the debt reached such high levels, the United States would almost certainly experience a debt-driven crisis — something previously viewed as almost unfathomable in the world's largest economy," said the Peterson-Pew Commission on Budget Reform. "The crisis could unfold gradually or it could happen suddenly, but with great costs either way. The tipping point is impossible to predict, but the United States is already hearing concerns about its fiscal management from some of its largest creditors."

A separate report from the National Academy of Public Administration found that rising debt "may contribute to a loss of international and domestic investor confidence in the nation's economy, which would, in turn, lead to even higher interest rates, lower domestic investment, and a falling dollar."

Research papers from two liberal groups, the Center on Budget and Policy Priorities and the Center for American Progress, have raised similar points. Sounding an optimistic note, an author of the latter paper stressed that the problem is more about politics than economics. "It's not as if the United States doesn't have the wherewithal to address the debt crisis. We do. We have the largest economy in the world by far. We generate \$14 billion a year in wealth," said Michael

Linden, associate director for tax and budget policy at the Center for American Progress. “We have the economic means; that’s not the issue.”

**Beholden to Foreign Creditors:** Lawmakers in recent years have been spared from making tough decisions by the willingness of investors, especially those in China and elsewhere overseas, to buy Treasury securities and cover the U.S. budget shortfall. In addition, interest rates have declined during the global recession, and the Treasury paid far less in net interest costs during fiscal 2009 than it did a decade earlier, when the total debt was half as large.

This has somewhat masked the impact of recent borrowing for most Americans, Domenici said. “We’re so powerful that we just keep borrowing, so they don’t feel it,” Domenici said.

But while Americans helped finance the U.S. war effort in the 1940s, international lenders are covering the tab today. Foreign holdings of Treasury debt more than tripled to \$3.6 trillion between November 2000 and November 2009, with China’s stake alone swelling to almost \$790 billion. Russia’s willingness to lend has also soared, and its holdings of U.S. debt securities more than quadrupled in two years, to \$128 billion as of November.

And although Americans have also been pumping money into the Treasury, many have lost a direct connection to these investments. Roosevelt and the Treasury had to court Americans to boost the debt-to-GDP ratio. Now the government has convenient middlemen: the managers of mutual funds. About 45 percent of all U.S. households owned mutual funds in 2008, while not quite 6 percent did in 1980, according to the Investment Company Institute, a trade group.

So few Americans buy government bonds on their own that the Treasury shuttered the Bureau of the Public Debt’s marketing office six years ago. The amount lent to the government through traditional U.S. savings bonds grew by only 5 percent, to \$193.6 billion, between 2000 and 2009, while Treasury securities held by mutual funds more than tripled to \$695 billion.

And many Americans may not even know they are creditors to their own government.

The United States also has debt that it owes Americans largely due to the way it finances Social Security and Medicare. These intragovernmental holdings stood at \$4.5 trillion at the end of last year, bringing the gross federal debt to \$12.3 trillion. Budget hawks stress that Congress and the White House need to weigh the future costs of the underlying expectations of these programs and other commitments, such as benefits to federal retirees, as they consider how to get the debt under control.

Looking 75 years out, the United States is already on the hook for \$56.4 trillion in these obligations, according to the Peter G. Peterson Foundation, a nonprofit group founded to address federal deficit spending and debt.

Having collected excess revenue ahead of time over the past two decades and credited that money to the Medicare and Social Security trust funds, the government has had the false feeling of being “flush with cash,” said Laurence J. Kotlikoff of Boston University, who has long studied entitlement programs.

That has helped Congress make popular but unwise spending decisions, which adds to the burden that future Americans will face, Kotlikoff said. But the obligations still must be repaid once baby boom retirees start making demands on the programs.

One of the first steps toward a fiscal fix will be for lawmakers to stop debating which party is most at fault and instead focus on finding some way to reduce the federal reliance on borrowing to make ends meet, said Domenici, himself a veteran of many budget wars.

“We don’t know how much of the debt is Republican or how much is Democratic, and it doesn’t matter,” he said. “For the first time in our nation’s history, we risk undermining U.S. economic and military strength and becoming a second-rate power.”

**FOR FURTHER READING:** *Health care* ([HR 3962](#), [HR 3590](#)), p. [290](#); *Debt-limit increase and fiscal commission* ([H J Res 45](#)), p. [288](#); *slowing the rise in health costs*, *CQ Weekly*, p. [160](#); *estate tax* ([HR 4154](#)), p. [53](#); *jobs bills* ([HR 2847](#)), p. [39](#); *economic stimulus* ([PL 111-5](#)), p. [38](#); *short-term and long-term deficit politics*, 2009 *CQ Weekly*, p. [2262](#); *cost of federal borrowing*, p. [2507](#); *the deficit’s hard truths*, 2005 *CQ Weekly*, p. [2554](#).

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