

ECONOMIC POLICY PROGRAM

During a year in many ways defined by the economy—fluctuating unemployment rates, rising numbers of home foreclosures, the growing wealth gap, an out-of-control budget, a debt ceiling hovering over Congress, a national credit-rating downgrade, and even a super committee—the U.S. desperately needed a potent force for fiscal reason in an unruly economic environment. The Economic Policy Program rose above partisan bickering with strong analysis and consensus fiscal policy recommendations.

The Economic Policy Program has two major projects:

The Economic Policy Project's Debt Reduction Task Force offered a bold plan for a new national economic course. The Debt Ceiling Analysis Initiative worked alongside the task force, undertaking an exhaustive accounting of daily Treasury statements and cash flows—ultimately pinpointing the debt ceiling breach date and explaining the ramifications of a breach to lawmakers, the media, and the public.

The Housing Commission launched in 2011 to chart a new course for the U.S. housing sector—while recognizing the fiscal realities of the future housing needs of an increasingly diverse society. The commission is examining every aspect of U.S. housing policy—from the role of private investment to homeownership and affordable rental policy. The recent collapse of the housing finance system played a significant role in one of the worst recessions the nation has ever experienced. Reforming this system and creating a stable housing market is essential for a strong and competitive U.S. economy.

Economic Policy Project Accomplishments

Line By Line

The Economic Policy Project's (EPP) Debt Reduction Task Force, co-chaired by former Senator Pete Domenici and former Director of the OMB and CBO Dr. Alice Rivlin, continued to promote an entirely new strategy for the federal budget, as outlined in their 2010 report *Restoring America's Future*. The plan includes some tough choices: it freezes discretionary spending, reforms programs, ends tax deductions, and raises new taxes. But it also stabilizes the debt, reforms the tax code, and controls health care costs, laying the groundwork for a fiscally responsible future:

- ★ Aside from the President's Fiscal Commission (the Simpson-Bowles commission), *Restoring America's Future* is the only plan that went through the federal budget line by line and made specific, detailed policy recommendations.
- ★ The effort became a policy touchstone. Senator Domenici and Dr. Rivlin testified before House and Senate committees, the Joint Select Committee on Deficit Reduction, and ultimately presented their findings to many members of Congress and their staffs.
- ★ The respect across parties for the diligence, accuracy, and detail in the plan has given EPP a meaningful national profile. Project staff receive daily media requests and senior staff make several media appearances weekly.
- ★ Several members of Congress and their staff now work very closely with the project to put these ideas into formal legislative language for later use in the House and Senate.

Hitting The Roof

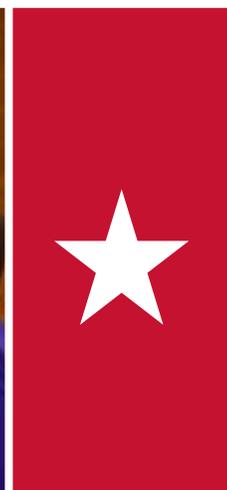
In May 2011, the Treasury Department announced that the U.S. had reached the legal limit for issuing new sovereign debt and that the U.S. would breach the debt ceiling within a few months. BPC began a Debt Ceiling Analysis Initiative, combing through daily Treasury statements and cash flows. Led by former Under Secretary of the Treasury for Domestic

Finance and BPC Visiting Scholar Jerome "Jay" Powell, the analysis team revealed that the expiration date would be in the first week of August (which it was) and that the U.S. needed to raise the debt ceiling or watch the economy crumble. Most important, the team led an incredible effort to make elected leaders and American citizens aware of the impacts of a breach by detailing the consequences.

- ★ This analysis was the only independent, non-Treasury review of the impending debt ceiling breach.
- ★ The entire Republican House caucus asked for, and received, a presentation of the analysis, as did the Senate Republican conference, the Democratic leadership in both the House and Senate, and many individual members.
- ★ The debt ceiling analysis resulted in hundreds of media citations, television appearances, and interviews. What's more, the media attention is ongoing: the analysis continues to be cited as questions emerge about the expiration of the next debt ceiling.
- ★ BPC was the leading voice in explaining the impact of allowing the debt ceiling to expire with its just-the-facts, straightforward analysis.

Designed To Fail

In October 2011, EPP presented a simulation of a major, systemic financial institution failure under the regulation law known as Dodd-Frank. This simulation—held at the annual Buttonwood Conference and hosted by *The Economist* in New York City—addressed the unusually complex range of issues that would arise in the event of such a failure, and it was constructed with significant input and high-level cooperation from the principal U.S. regulatory agencies, major banking trade groups, and other private-sector participants.



Media Highlights

“Since the Bipartisan Policy Center and the president’s fiscal commission aren’t constrained by politics, they offered real solutions to the nation’s twin problem of deficits and debt.”

— *McClatchy Newspapers*

“We are calling upon the super committee and the co-chairs to have open hearings with the Domenici- Rivlin proposal, on the Simpson Bowles proposal, and the Gang of Six.”

— House Minority Leader
Nancy Pelosi (D-CA)

“We need a package of the size and scope of the plans proposed by the president’s Fiscal Commission and the plan put forward by the Bipartisan Policy Center.”

— Senator Kent Conrad (D-ND)

“A Reading List for Following the Debt Ceiling Drama.”

— *ProPublica*

“These are not my numbers. These come independently verified by many organizations, including the Bipartisan Policy Center.”

— Senator Patrick J. Toomey (R-PA)

Looking Ahead

In 2012, the Economic Policy Project will:

- ★ Continue to emphasize the looming fiscal crisis if the federal policy status quo persists.
- ★ Work closely with Congress and the administration on an overall fiscal plan that will reduce projected multitrillion-dollar indebtedness. This includes coordination with BPC’s Foreign Policy Project to examine the national defense budget and issue a report on its findings in June 2012.
- ★ Continue to make the case for fiscal reform and fundamental changes in tax policy and entitlement programs in 2012, despite the election-year chaos among legislators. The project will continue to use major meetings of policymaking and financial-market participants to educate the public and Congress.

LEADERSHIP

ECONOMIC POLICY PROJECT



FORMER SENATOR,
DEBT REDUCTION
TASK FORCE CO-CHAIR
AND BPC SENIOR
FELLOW
PETE DOMENICI



FORMER DIRECTOR
OF THE OMB AND CBO
AND DEBT REDUCTION
TASK FORCE CO-CHAIR
DR. ALICE RIVLIN

PROJECT STAFF



Senior Director Steve Bell

Visiting Scholar Jerome “Jay” Powell
Policy Analyst Loren Adler
Policy Analyst Shai Akabas

“I can count on the Bipartisan Policy Center to unravel complex issues, suggest big ideas, and provide straight facts that will help to solve the federal government’s debt crisis.”

— Senator Lamar Alexander (R-TN)

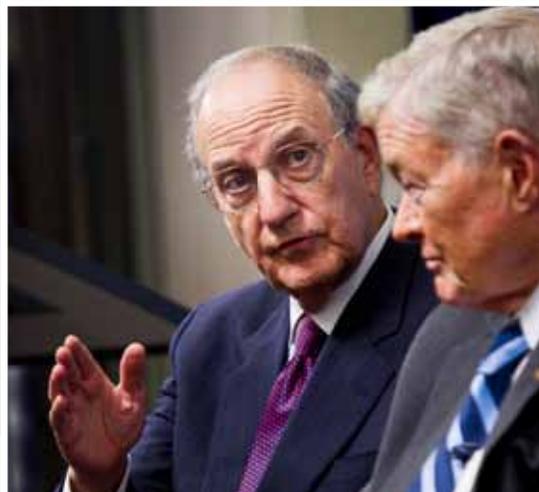
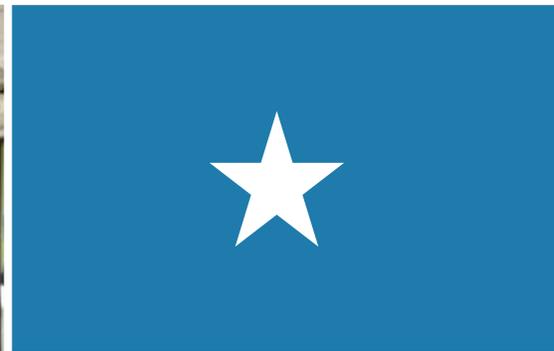


Housing Commission Accomplishments

Open House

BPC's Housing Commission launched in October 2011 with a dialogue about U.S. housing needs. The commission aims to reform the nation's housing policy by crafting a package of realistic and actionable policy recommendations that take into consideration both near-term and long-term challenges. Already the commission has highlighted the housing industry's historical—and significant—impact on national growth through the release of a detailed infographic. This tool helps policymaking visualize the vital role of housing in

both economic downturns and recoveries. The commission is now at work on a series of white papers that assess the fiscal, economic, and political conditions for future federal housing policy reform. And, to spark a vibrant discussion among all parts of the housing sector and to inform its work, the commission hosts an online expert forum, where contributors present creative ideas for addressing the nation's housing challenges.





LEADERSHIP

HOUSING COMMISSION



FORMER SENATOR
KIT BOND



FORMER SECRETARY
OF HOUSING AND
URBAN DEVELOPMENT
HENRY CISNEROS



FORMER SENATOR
AND FORMER
SECRETARY OF
HOUSING AND URBAN
DEVELOPMENT
MEL MARTINEZ



FORMER SENATE
MAJORITY LEADER
AND BPC CO-FOUNDER
GEORGE MITCHELL

COMMISSION STAFF



Director Pamela Hughes
Patenaude

Associate Director Nikki Rudnick
Senior Policy Analyst Rebecca Cohen
Policy Analyst Grace Campion
Project Assistant Hope Richardson

Media Highlights

“For the first time since the housing crisis began, a group of Republicans and Democrats are in agreement that fostering a true economic recovery is inextricably linked to the health of the housing market, and they are vowing to create a bipartisan solution.”

— *National Journal*

“BPC’s Housing Commission Sounds Promising.”

— The National Housing Institute’s
Rooflines: The Shelterforce blog

“The American Dream of homeownership recently turned into a nightmare for many families and, in turn, our neighborhoods, communities, and entire economy suffered. Solving these issues and addressing long-term questions on the role of government in housing will be no small stump to jump, but we cannot afford to fail.”

— Former Senator and BPC
Housing Commission
Co-chair Kit Bond

Looking Ahead

In 2012, the Housing Commission will:

- ★ Examine the documented needs of U.S. households and the dimensions of housing demand.
- ★ Craft realistic and actionable policy recommendations that reaffirm a national commitment to providing a decent home and suitable living environment for every American.
- ★ Ignite a sense of urgency for action in housing among policymaking and legislators with the understanding that the housing market is inextricably entwined with the economy.
- ★ Host a series of regional forums on key housing issues and best practices, in partnership with the Jack Kemp Foundation. Forums in San Antonio, Orlando, St. Louis, and Bar Harbor will gather input from experts and the public alike to create smart, actionable U.S. housing policies.
- ★ Prepare to report on its recommendations in early 2013.

SPOTLIGHT

Economic Policy Project Crunching The Numbers

BPC's Debt Reduction Task Force started 2011 by rewriting the nation's entire economic framework. Though Congress couldn't produce a 2012 budget and failed to pass 2011 spending bills in a timely fashion, BPC's Debt Reduction Task Force was in top form. Co-chaired by former Senator Pete Domenici and former Director of the OMB and the CBO Dr. Alice Rivlin, the task force's thorough fiscal reform plan, *Restoring America's Future*, tackled Social Security, taxes, and national debt, among other tough issues.

"This plan is proof that a group of Republicans, Democrats, and independents can work together to create a balanced package of spending cuts and revenue increases that solves the debt crisis," said Rivlin and Domenici. Aside from the President's Fiscal Commission, BPC was the only organization to go through the federal budget line by line.

Meanwhile, slow growth and high unemployment persisted. By spring, the Treasury Department announced it would be unable to finance the national debt. So BPC set up a Debt Ceiling Analysis Initiative, led by BPC Visiting Scholar and former Treasury Under Secretary for Domestic Finance Jerome "Jay" Powell. The project began an exhaustive daily examination of Treasury statements and cash flows. Amid the partisan claptrap in Washington, Powell and his team pushed ahead, ultimately correctly pinpointing the debt ceiling expiration date and urging Congress to raise the ceiling or face unprecedented market chaos.

BPC made a communications full-court press: They gave scores of TV and print interviews, published op-eds, contributed to blogs, and made more than 100 trips to Congress. People listened. The breach date was set for August 3, and BPC created a Debt Limit Countdown Clock on its website. Soon both the House and Senate Republican



conferences requested a presentation of BPC's analysis. Powell also personally presented the results to senior House and Senate members in both parties.

In August—skirting a breach—Congress approved the Budget Control Act, increasing the debt ceiling and forming the Joint Select Committee on Deficit Reduction. Domenici, Rivlin, and other BPC leaders met daily with members of this super committee to try and cut the deficit by \$1.2 trillion. Domenici and Rivlin also testified before select House and Senate committees and ultimately before all of Congress. But, despite excellent advice, the super committee remained mired in partisanship and collapsed. "We are profoundly disappointed by the failure to reach a bipartisan agreement," said Domenici and Rivlin. "The American public, the markets, and the world need to be reassured that our political process is functioning in the public interest, not stuck in partisan gridlock."

Still, the project made a dent: Task force proposals for a payroll-tax holiday and multiyear freezes on defense and non-defense spending became law. But more work remains. Of course, in an election year, fiscal accord is unlikely. That's why, in 2013, fundamental tax and entitlement reform will likely top the congressional agenda. And the Economic Policy Project will be ready—with an updated, comprehensive, bipartisan plan.

Housing Commission

In-House Expert

“Successful housing makes successful cities,” says BPC Housing Policy Director Pam Patenaude. “Washington, D.C. is alive after five o’clock because of the variety of housing options available to the workforce.”

Over the last several years, the nation has watched as the housing market plummeted, foreclosures spiked to unprecedented levels, and the foundation of the housing finance system collapsed. Yet it appears that housing is still not a top priority for federal policymaking. Patenaude is determined to change that. “We have an opportunity to rewrite housing policy to meet the needs of future generations of Americans,” she says.

She should know. Patenaude has been involved in virtually every aspect of housing for more than 30 years. She has worked in market-rate development, has served as chair of a local housing commission and planning board, and has held positions at the U.S. Department of Housing and Urban Development (HUD) ranging from college intern to her eventual posting as assistant secretary for community planning and development—a role for which she was nominated by President George W. Bush and confirmed by the Senate. As assistant secretary, Patenaude managed \$8 billion in housing and community development funds while working with mayors across the country.

After HUD, Patenaude opened the J. Ronald Terwilliger Center for Workforce Housing at the Urban Land Institute (ULI). As executive vice president and founding executive director of the center, she focused on the critical shortage of affordable housing for middle-income earners. Four years after successfully launching the ULI start-up, she was asked to lead BPC’s new housing commission. Patenaude saw BPC as an opportunity to use her technical expertise



and political skills to alter the U.S. housing landscape. As a veteran political appointee and former Hill staffer, Patenaude was used to being surrounded by her own party. “It’s cool to work in a place where we come together under the same roof, working with colleagues from both sides of the aisle,” she says. “Politics stands in the way of progress. But at BPC, we cross the political divide and develop realistic and actionable policy solutions.” BPC also discourages silos. Patenaude and her team regularly join forces with other BPC experts when housing policy intersects with issues like transportation, energy, and health care. “We work with the debt guys,” she says. “Or, as I refer to them, The Reality Check.” In this environment, Patenaude realized, she could get things done.

Her first priority? “We have to educate the policymaking and the public,” she says. “Prior to the housing crisis, few people outside the Beltway were even aware of the secondary mortgage market or how the housing finance system operated.” Of course, educating lawmakers about the intricacies of housing policy is no small task. “It’s an enormous challenge, but it’s also an opportunity to make a real difference.”