



Summary of May 26, 2010, Meeting of the National Commission on Fiscal Responsibility and Reform

The stated purpose of the May 26th Fiscal Commission (“FC”) meeting was to discuss debt and fiscal outlook both here in the United States and overseas. (There is no pre-set schedule of topics for the FC to explore. Instead, the topics are announced on the FC’s website close to the date of the scheduled meeting. To view the May 26th meeting, please visit: <http://www.c-spanvideo.org/program/293737-1>.)

The meeting opened with Chairman Bowles suggesting that the second goal (propose recommendations that meaningfully improve the long-run fiscal outlook) be made more concrete by setting a target level for the federal deficit for a decade in the future. Members of the FC overall seemed to agree that this was a good goal, but there was no consensus on how they would arrive there.

The two witnesses at this meeting were: (1) Professor Carmen Reinhart (University of Maryland, Professor of Economics and Director of the Center for International Economics); and (2) Carlo Cottarelli, Director, Fiscal Affairs for the International Monetary Fund (IMF). Both witnesses compared the situation in the US to that of Europe as fodder for the argument that the US is destined for the same collapse a la Greece if it doesn’t get its economic house in order, by - among other things - making cuts to Social Security and Medicare. In his remarks, witness Cottarelli viewed tackling the deficit in two ways: (1) reduce age-related spending; and (2) reduce non-age related spending. According to Cottarelli, age-related spending could be reduced by raising eligibility for Social Security by two years and non-age related spending could be reduced by freeze public spending on a per-capita basis.

Throughout the meeting, Rep. Schakowsky (D-Ill.) and Becerra (D-CA) tried repeatedly to introduce the question of who’s going to bear the burden of the cuts and what the effect will be on economic growth, but their questions went unanswered. Additionally, Rep. Schakowsky noted that meeting a deficit reduction goal by 2015 shouldn’t be done by cutting off spending that is creating jobs in the present. “It’s a worthy goal, but not at the cost of sacrificing the overall economy in terms of how it impacts ordinary people.”

At the conclusion of the meeting, Simpson and Bowles announced that they would hold an open session after the meeting on June 30th hear (approximately 1:00 p.m.) from any members of the public who want to propose ideas for the commission to consider. Simpson mentioned that he would ask everyone who argued *against* doing some things to put forward ideas on what they can/should do.

Recap of Fiscal Commission Structure:

The Fiscal Commission is made up of 18 members (6 Presidential appointees, 3 House Ds, 3 House Rs, 3 Senate Ds, 3 Senate Rs)(for a complete list, please visit Alliance fact sheet on the FC:

<http://www.retiredamericans.org/ht/a/GetDocumentAction/i/15868>).

The FC has three working groups focusing on discretionary spending, mandatory spending and taxes. Each working group has met once thus far and is scheduled to meet once a month. Each working group has a “discussion leader” and select members of the full FC (each FC member could pick to serve on two working groups).

- **Discretionary:**
 - Discussion Leaders: Rep. Spratt (D-SC) and Sen. Coburn (R-OK)
 - Members: Cote, Fudge, Rivlin, Coburn (R-OK), Durbin (D-IL), Hensarling (R-TX), Ryan (R-WI), Schakowsky (D-IL), Spratt (D-SC).
- **Mandatory:**
 - Discussion Leaders: ** Unlike the other working groups, the mandatory working group (which was referred to as the “Entitlements” working group) is being managed in tiers: Alice Rivlin and Sen. Gregg (R-NH) will focus on Social Security) or while Rep. Ryan and Rivlin will be the discussion leaders on “other mandatory issues”).
 - Rivlin, Stern, Baucus (D-MT), Becerra (D-CA), Camp (R-MI), Coburn (R-OK), Conrad (D-ND), Crapo (R-ID), Gregg (R-NH), Hensarling (R-TX), Ryan (R-WI), Schakowsky (D-IL), Spratt (D-SC).
- **Revenue:**
 - Discussion Leaders:
 - Cote, Fudge, Stern, Baucus (D-MT), Becerra (D-CA), Camp (R-MI), Conrad D-ND), Crapo (R-ID), Durbin (D-IL), Gregg (R-NH).

Recap of Fiscal Commission's Task:

The Executive Order creating the FC charges the Commission with two goals: (1) propose policies that would reduce the deficit to 3 percent of gross domestic product by fiscal 2015; (2) propose recommendations that meaningfully improve the long-run fiscal outlook.

(Link to Executive Order: <http://www.whitehouse.gov/the-press-office/executive-order-national-commission-fiscal-responsibility-and-reform>).

At least 14 of the 18 members must agree to a set of deficit reduction measures before those measures can be forwarded to Congress for a vote in December. The House has agreed to vote on the recommendations only if/after the Senate has done so.

Recap of Fiscal Commission's Activity to Date:

The first meeting of the FC, which occurred on April 27th, 2010, consisted mostly of opening statements from its 18 members. As noted in an earlier update, many of these opening statements targeted spending on health care and Social Security, with remarks suggesting that cuts to these programs were a necessary part of the fiscal responsibility equation. The FC itself has not made any official recommendations and it is unlikely that any will be officially made prior to December 1st (the deadline set in the Executive Order creating the FC). So what has the FC been doing since its inception? Mainly collecting information from experts/think tanks on issues concerning the budget deficit.

Schedule of Upcoming Fiscal Commission Meetings

June 30, 9:30 AM - 12:00 PM, July 28, 9:30 AM - 12:00 PM, Sept. 29, 9:30 AM - 12:00 PM, Nov. 10, 9:30 AM - 12:00 PM, Dec. 1, 9:30 AM - 12:00 PM.

Additional Resources on the Fiscal Commission

For more background information on the Fiscal Commission, please visit: <http://www.retiredamericans.org/ht/a/GetDocumentAction/i/15868>

Fiscal Commission's website: <http://www.fiscalcommission.gov/>