



Summary of July 28, 2010, Meeting of the National Commission on Fiscal Responsibility and Reform

The stated objective of the fourth Fiscal Commission meeting was to analyze a broad list of potential solutions to America's financial problems. The meeting featured testimony from Maya MacGuineas, President of the Committee for a Responsible Federal Budget, a Peterson Foundation funded organization, and Barry Anderson, former Head of Budgeting at the Organization for Economic Cooperation and Development. While MacGuineas focused much of her testimony on short and long-term policy solutions to our nation's budget deficit, Mr. Anderson offered the Commission members an international perspective to the financial issues at hand.

Despite the fact that Social Security & Medicare have been discussed at length during past meetings, not much was specifically mentioned about these programs this time around. In his opening statement however, Alan Simpson, Co-Chairman of the Commission, addressed his critics by defensively stating that his goal is not to "cut" or "eliminate" Social Security, but rather to ensure fiscal solvency to the program for years to come. Additionally, during her testimony, **MacGuineas mentioned raising the retirement age as a viable option to help generate savings.**

Aside from expressing support for raising the retirement age, MacGuineas' testimony focused on two basic ways to balance America's budget. The first solution advocates for maintaining current revenue levels while cutting spending to produce savings. Under this proposal, **Social Security and Medicare would certainly face significant cuts.** The second solution consists of increasing revenue through taxes and other means. While she did not outright endorse either one of the aforementioned solutions, MacGuineas did encourage the Commission to begin implementing changes to the budget process by 2012 as a way of demonstrating to foreign investors that we are serious about improving our finances. MacGuineas referred to this approach as the "announcement effect," (announce change, reassure creditors, phase in changes by 2012).

Mr. Anderson took an even more fiscally conservative approach to America's current spending habits. In his opening remarks, Anderson unequivocally warned the Commission members that "we do not have the ability anymore to have totally uncapped programs." In continuation with that theme, Anderson continually stressed the need for America to cap its spending in order to stabilize the deficit.

After hearing the experts testify, the Commission members promptly began to question the panelists on their remarks. During the question and answer period it was made clear to the audience that the Commission members are by no means in agreement about the spending cut debate. Representative Paul Ryan (R-Wis) started the discussion by expressing his support for capping the federal governments spending habits, whether for mandatory or discretionary purposes. Representative Xavier Becerra (D-CA) however, reminded Ryan and his other colleagues that limiting entitlement programs would disproportionately affect individuals from the middle and lower-income bracket.

Although much of the discussion was centered on capping spending, a few members of the Commission made it a point to emphasize that increasing revenue through taxes is a vital component to fixing America's budget problems. Senate Budget Committee Chairman Kent Conrad (D-ND) warned that the current tax system is outdated, inefficient, and no longer reflective of the society that we live in. Moreover, Senator Max Baucus (D-Mont), Chairman of the Senate Finance Committee) stated that eliminating tax gaps, the difference between what taxpayers owe and what they actually pay, could almost single handedly raise enough revenue to ensure fiscally sustainability for future generations. The Senator's overarching point is that the debate must shift away from spending cuts and start to focus more on revenue raising options. **Capping mandatory spending on entitlement programs such as Social Security will undoubtedly generate minimal savings at the expense of deserving beneficiaries.**



Schedule of Upcoming Fiscal Commission Meetings

September 29, November 10, December 1, 2010. All meetings are from 9:30 a.m. to 12:00 p.m.



Additional Resources on the Fiscal Commission

- <http://www.retiredamericans.org/beware-fiscal-commissions>
- Fiscal Commission's website: <http://www.fiscalcommission.gov/>
- Social Security Matters: <http://www.socialsecuritymatters.org/Home.html>
- Social Security Works: <http://socialsecurity-works.org/>