

## Senate hearing debates timing of fiscal austerity

By Bernie Becker - 02/03/11 02:11 PM ET

On the same day House Republicans [unveiled their plan](#) to roll back spending, witnesses and lawmakers on the Senate side differed over whether now was the time to start more austere budgeting practices.

At a Senate Budget Committee hearing, Mark Zandi of Moody's Analytics and others said belt-tightening should begin in earnest once the economy had gotten stronger, with Zandi estimating that could mean next year. But Chris Edwards of the Cato Institute advised against waiting much longer to tackle spending.

Zandi, who has been a strong supporter of the Obama administration's response to the economic downturn, said that really starting austerity measures this year would work against legislation enacted to spark the economy, like the tax-cut compromise passed late in 2010. He later added that fiscal disciplinary measures should start going into effect once the unemployment rate was definitively decreasing.

"The recovery is still very fragile," said Zandi, who added that laying out "a path for the future to achieve fiscal sustainability in 2011 would be incredibly therapeutic."

But Edwards, director of tax policy studies at the libertarian think tank, said he wasn't persuaded by the view that the economy needed to be stronger before cutting spending.

"We might have another recession in 2014, 2015," he said. "And again, folks like Mr. Zandi are going to be coming and saying 'Oh, no, we need to spend more money. We can't cut spending now.' So there's always going to be an excuse to not cut spending."

The hearing — which also delved into what a long-term fiscal plan should look like and the importance of bringing down healthcare costs — occurred as top House Republicans released a plan that would cut \$32 billion in spending in the coming months. The GOP cast the proposal as a \$74 billion cut from President Obama's budget request for 2011.

Perhaps not surprisingly, the plan released by Rep. Paul Ryan (R-Wis.), the House Budget chairman, and other Republicans elicited contrasting reactions from top budget panel members in the Senate.

Sen. Kent Conrad (D-N.D.), the chairman of the Budget Committee, said after the hearing that he was much more interested in crafting a long-term plan on spending that would involve trillions of dollars.

"Fiscal austerity now is not the right answer. What you need is a plan put in place now for fiscal austerity once the economy is on stronger ground in the next 18 months or so," Conrad said, echoing the advice of Zandi and others.

Meanwhile, Jeff Sessions (R-Ala.), the ranking member on the Budget panel, said the House plan was strong.

"I think it would send a message to America and the world economy that elections have consequences and that the American people are prepared to demand that we have less government spending," Sessions said.

Sessions later sent out a release asserting that the spending freeze President Obama proposed in his State of the Union would actually lead to a \$4 trillion growth in the debt over five years.

During the hearing, both Zandi and Edwards agreed that the deficit would be manageable when it dropped to around 2 percent to 3 percent of gross domestic product. Zandi said that, once started, the process of reducing the deficit to that level should take around five to seven years, adding that he expects the deficit to settle in at 9 percent of GDP this fiscal year and would hover around 5 percent once the economy was "functioning properly."

Under questioning from Conrad, a member of the president's debt commission, Zandi also said he agreed with the basic thrust of that and other fiscal panels that had proposed reducing deficit spending by roughly \$4 trillion by 2020.

For his part, Raymond Scheppach, the executive director of the National Governors Association, signaled that healthcare costs would need to be a significant part of any attempt at deficit reduction.

"That's a problem. Because I don't think we know how to do that," said Scheppach, who also identified the growth of Medicaid as a major cause of the fiscal problems states are having.

But while Conrad acknowledged that "all roads lead to healthcare," he also added that everything needed to be on the table when it came to deficit reduction.