THE DAILY CALLER

GAO report: US on 'unsustainable long-term fiscal path'

By: Betsi Fores – December 3rd, 2012

The Government Accountability Office warned in a report Monday that if cuts are not made to mandatory spending — including Social Security and Medicare — there will be a fundamental gap between spending and revenue as more baby boomers retire.

"Significant actions to change the long-term fiscal path must be taken," the GAO warned.

The report was released amid heated debates between the president and congressional Republicans trying to hammer out a deal over taxes and spending. If no deal is reached, taxes go up and major spending is cut.

The GAO warned that discretionary spending is not the crux of the problem. "Discretionary spending limits [which includes defense spending] alone do not address the fundamental imbalance between estimated revenue and spending, which is driven largely by the aging of the population and rising health care costs."

While allowing the drastic fiscal tightening to occur will probably result in a disruption in economic growth, avoiding the cliff "would lead to higher debt over the long term."

"[T]he whole notion that federal cuts is going to push us into recession is nonsense," Cato Institute budget policy expert Tad Dehaven told The Daily Caller News Foundation. "All that money that the federal government spends was taken or borrowed out of the economy to begin with."

"I think the focus should be on long term growth and that's getting the federal spending under control," Dehaven added.

Warnings like this, along with ones from the Congressional Budget Office and the Federal Reserve Bank, are contradicted by liberals who deny the insolvency of entitlement programs.

Illinois Democratic Sen. Richard Durbin recently commented that "Social Security does not add one penny to our debt," in an attempt to leave the entitlement program off of the debate table. The statement is false..

"[S]pending for the major health and retirement programs will increase in coming decades, putting greater pressure on the rest of the federal budget," the GAO study pointed out, attributing this trend to an aging population.

While the country may indeed fall off the fiscal cliff, economists note that that alone will not put the country on a sustainable fiscal path.

“We have roughly $3 trillion, with more than $1 trillion deficit. Piling that up with $14 trillion accumulated debt in a more than $60 trillion dollar world economy, more fundamental reforms are necessary,” Benjamin Powell, associate professor at Suffolk University and senior fellow with the Independent Institute, told TheDC News Foundation.

“If you want to talk about radical,” Powell added, “you could end the budget deficit tomorrow, by going back to the level of spending in inflation-adjusted terms that’s equal to Cinton’s last year in office.”

“It’s very doable, it’s just that the politicians don’t have the political will to do it,” Powell concluded.

Dehaven seemed to agree with this sentiment.

“Politicians generally think in terms of short term, not long term, therefore, not surprisingly, the focus has been on the short term concern.”