

Tough talk on deficit, but experts see little bite, mostly bark

By Keith Chu / *The Bulletin*

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WASHINGTON — Green eyeshades are replacing seersucker suits as the summer's hottest fashion accessory on Capitol Hill.

With the federal deficit at the highest level since World War II and a high-stakes election season approaching, politicians have taken a renewed interest in reining in the federal deficit. But for all the bluster on both sides of the aisle, and from President Barack Obama, federal budget experts say nearly everything politicians are now debating would do almost nothing to help the country find its fiscal footing.

"Republicans have come up with little tiny spending cut gimmicks, the administration has little line-item (veto) gimmicks," said Tad DeHaven, a federal budget analyst at the libertarian Cato Institute. "It's political posturing and maneuvering."

Oregon's U.S. Congressional delegation hasn't stayed away from the tough budget talking. Rep. Greg Walden, R-Hood River, is helping to lead a GOP campaign to trim small, but wasteful, federal programs. Earlier this month, Sen. Ron Wyden, D-Ore., called for cuts to defense spending as a way to begin to balance the budget. Sen. Jeff Merkley, D-Ore., is one who has generally stayed away from budget bluster.

Nearly every expert on federal budgets agrees that it's the long-term growth in the Medicare, Medicaid and Social Security programs that poses the real threat to U.S. solvency.

"There is a structural, long-term problem, and I think just about everybody agrees with that," said DeHaven.

If nothing changes, Medicare, Medicaid and Social Security will explode in size, moving from 40 percent of

How Oregon lawmakers voted

Lots of lawmakers talk tough about federal deficits, but how did they vote? Here's where Oregon's delegation stood on some of the bills that put the biggest holes in the government's pocket.

2001 and 2003 tax cuts

- Combined, the tax cuts are estimated to have increased the federal deficit by about \$1.8 trillion between 2001 and 2008, though there is disagreement about the impact. The costs are usually considered together, because the 2003 bill sped up some of the cuts included in the 2001 bill.

2001 tax cuts

CongressmanVoteRep. Greg Walden (R)YesRep. Earl Blumenauer (D)Did not voteRep. Peter DeFazio (D)NoRep. Darlene Hooley (D)YesRep. David Wu (D)NoSen. Gordon Smith (R)YesSen. Ron Wyden (D)No

2003 tax cuts

CongressmanVoteRep. Greg Walden (R)YesRep. Earl Blumenauer (D)NoRep. Peter DeFazio (D)NoRep. Darlene Hooley (D)NoRep. David Wu (D)NoSen. Gordon Smith (R)YesSen. Ron Wyden (D)No

War funding

- Iraq and Afghanistan war funding, April 2003: The emergency spending bill added \$78 billion to the U.S. deficit.

RepresentativeVoteRep. Greg Walden (R)Did not voteRep. Earl Blumenauer (D)NoRep. Peter DeFazio (D)NoRep. Darlene Hooley (D)YesRep. David Wu (D)Yes

federal spending today, to 52 percent in 2040, according to the Peter G. Peterson Foundation, a nonpartisan group that advocates for curbing federal deficits. Meanwhile, interest payments will take up another 30 percent of the budget.

That will leave precious little money for all other non-defense spending, which includes funding for roads, schools, scientific research, managing public lands and everything else. That would shrink from a third of federal spending to 7 percent.

Where there's disagreement is on the impact that federal spending right now makes on our long-term financial health. Getting worked up about things like stimulus spending and aid to states distracts from the real problems, said Josh Gordon, policy director at the nonpartisan Concord Coalition, which also calls for sustainable budgeting.

"In the short term, we are going to be faced with a higher deficit and that's OK because that's what happens in recessions," Gordon said. "Cutting discretionary spending in the short term does very little to help the long-term fiscal challenge, and it doesn't help the economy. The worst thing is it really polarizes partisanship and confuses the American public (about) what the battleground is."

While the coming explosion of entitlement programs is by far the most important factor in our budget, DeHaven disagreed with the idea that short-term deficits don't matter.

"We don't buy the argument that the administration and others put forward that, yes we have a fiscal imbalance that needs to be addressed, but in the meantime the economy stinks so we need to spend a lot of money in the short term," DeHaven said.

Helping seniors, increasing spending

So how have Oregon lawmakers voted when given the chance to run up the government credit card? With the exception of Rep. Peter DeFazio, D-Springfield, who voted against nearly every huge, unfunded bill over the past decade, their records are mixed.

The budget situation took a sharp turn for the worse in 2003, Gordon says. That year, Congress passed a second

The Senate passed the house version unanimously. In a roll call vote on the Senate's version of the bill, both Smith and Wyden voted yes.

- Iraq and Afghanistan war funding, November 2003: The second emergency spending bill of 2003 added \$87.5 billion to the deficit.

RepresentativeVoteRep. Greg Walden (R)YesRep. Earl Blumenauer (D)Did not voteRep. Peter DeFazio (D)NoRep. Darlene Hooley (D)YesRep. David Wu (D)No
The Senate passed the house version unanimously. In a roll call vote on the Senate's version of the bill, both Smith and Wyden voted yes.

- Iraq and Afghanistan war funding, May 2005: The emergency spending bill added about \$81 billion to the deficit.

RepresentativeVoteRep. Greg Walden (R)YesRep. Earl Blumenauer (D)NoRep. Peter DeFazio (D)YesRep. Darlene Hooley (D)YesRep. David Wu (D)No
Medicare Part D

- Medicare Part D: The prescription drug benefit became law in 2003, but didn't take effect until 2006. Cost estimates for the measure have fluctuated from as much as \$552 billion over its first 10 years, to the most recent CBO estimate of \$370 billion. Projecting future costs is even less certain, but CBO estimates the benefit will cost a total of \$890 billion through 2019. SenatorVoteSen. Gordon Smith (R)YesSen. Ron Wyden (D)Yes
Senate passed 55-44

RepresentativeVoteRep. Greg Walden (R)YesRep. Earl Blumenauer (D)NoRep. Peter DeFazio (D)NoRep. Darlene Hooley (D)NoRep. David Wu (D)Yes
House passed 220-215

TARP

- Troubled Asset Relief Program, October 2008: The most recent U.S. Treasury Department estimate, from late May, projects the program will cost taxpayers \$105 billion, much less than the original \$700 billion authorized by Congress. The ultimate cost is largely dependent on how shares of Citigroup and U.S. automakers perform in coming years.

CongressmanVoteRep. Greg Walden (R)YesRep. Earl Blumenauer (D)NoRep. Peter DeFazio (D)NoRep. Kurt Schrader (D)YesRep. David Wu (D)YesSen. Ron Wyden (D)No
Stimulus

- Federal stimulus bill (the American Recovery and Reinvestment Act), February 2009: A \$787 billion bill intended to soften the worst impacts of the economic downturn.

CongressmanVoteRep. Greg Walden (R)NoRep. Earl Blumenauer (D)YesRep. Peter DeFazio (D)NoRep. Kurt Schrader (D)YesRep. David Wu (D)YesSen. Jeff Merkley (D)YesSen. Ron Wyden (D)Yes

- The first stimulus bill, February 2008: Congress enacted the now-forgotten first stimulus bill of the recession. The \$152 billion measure passed with large majorities in both chambers.

CongressmanVoteRep. Greg Walden (R)YesRep. Earl Blumenauer (D)YesRep. Peter DeFazio (D)YesRep. Darlene Hooley (D)YesRep. David Wu (D)YesSen. Gordon Smith (R)YesSen. Ron Wyden (D)Yes

- Creating a deficit coalition, January 2010: The U.S. Senate voted on creating a bipartisan commission to draft a plan to put the nation on a fiscally prudent path.

round of tax cuts, approved spending for the Iraq war and created a new Medicare prescription benefit, all on the government credit card.

"I think at the time we said it was the most fiscally irresponsible Congress in history," Gordon said. "We just borrowed and borrowed and borrowed to fund two large tax cuts, fund a war and create a large new entitlement."

The measure failed, amid Republican concerns that the commission might endorse tax increases and the defection of many Democrats who saw the measure as a constraint on spending.
SenatorVoteSen. Jeff Merkley (D)NoSen. Ron Wyden (D)Yes

The Medicare Part D drug benefit is a good litmus test for a lawmaker's fiscal responsibility, Gordon said. Medicare's looming funding crisis was well-known in 2003, but that didn't stop politicians from spending \$370 billion on prescription drugs for seniors, without a way to pay for it.

Wyden and Walden voted for the bill. Last week, both said the program is still worth the cost.

On Friday, Wyden said he would have preferred the benefit had been funded, but his first priority was providing prescription drug coverage for seniors.

"You had a tremendous number of seniors who could not afford drugs on an outpatient basis, so they would get sicker and need more medicine and very often (a) very acute level of services," Wyden said.

Walden agreed.

"If you were designing a senior health plan today, I can't imagine designing a health care plan for seniors that did not include coverage for prescription medication," Walden said. "We needed to address this as a country."

In a lengthy Senate floor speech on Nov. 23, just before the final vote, Wyden didn't mention any concerns about how the bill was paid for. Rather, he argued that Congress should approve the billions in new spending while it was still politically viable.

"As a member of the Budget Committee, I know how hard it has been to get funding for this benefit," Wyden said, according to the Government Printing Office transcript of his speech. "When Senator (Olympia) Snowe and I began in 1999 to work for funding for a drug benefit, the Senate thought we lassoed the moon when we successfully got \$40 billion in the budget. How then can you argue that Congress should walk away from \$400 billion?"

In a Sept. 24 speech in the U.S. House, Walden accurately described the bill as cheaper than a Democratic alternative and emphasized the benefits for low-income seniors.

"But the crazy thing to me tonight is to hear that somehow we are not going to help seniors with this bill," Walden said. "We are spending \$400 billion over 10 years to provide a prescription drug benefit and additional help to our hospitals and our physicians in our rural communities, \$400 billion."

Both Wyden and Walden argued that they've supported other steps to get health spending in check. Walden pointed to the 2005 Deficit Reduction Act, which cut about \$100 billion from Medicaid over 10 years, as an example. He also noted that the original Medicare drug bill included a circuit breaker requiring lawmakers to make adjustments to the program if costs were higher than expected, but that Democrats waived the provision.

Wyden, meanwhile, said he advocated for allowing the federal government to bargain with drug manufacturers, which would have cut the Medicare Part D price tag. And his health care reform bill, the Healthy Americans Act, was praised by

economists as one of the few proposals that would have cut U.S. health care spending over the long term.

Budget commission

Given the political risks of cutting programs, one idea that had been popular with budget hawks was to create a commission that would recommend ways to balance the budget. Then lawmakers would have to vote yes or no on the recommendations, without the usual amendment process or other political tricks.

But when just such a commission came up for a vote in January, the bill fell seven votes short of the 60 it needed.

Wyden said that vote was a critical sign that lawmakers weren't ready to tighten the federal purse strings.

"Congress has got to stop kicking away opportunities to enforce fiscal discipline," Wyden said. "That is why the (commission) vote was such a missed opportunity, because that would have forced every U.S. senator to go on the record about how they felt about major expenditures."

The president created his own budget commission, but without congressional approval, there's no guarantee that lawmakers will vote on its recommendations.

Balancing act

For Wyden, tightening the screws on big-ticket items is the start of taming the deficit. He called the Wall Street bailout, which he voted against, "a game changer" on fiscal responsibility.

"That's why, for example, when a Republican president wanted me to vote for the Wall Street bailout, I said no, and when a Democratic president wanted it, I said no as well," Wyden said. "I didn't think that a \$700 billion bailout for the people who ran things into the ditch was the way to go."

Walden voted for the TARP program, which President George W. Bush and many economists said was necessary to avert economic catastrophe. Last week, he said the administration misled lawmakers about how that money would be used.

"We were never told that we would be spending that money to bail out AIG and then to use it as a slush fund for whatever somebody in the administration thought it should be used," he said.

Walden said Republicans would take on federal spending, from wasteful domestic programs to big entitlements, if they regain control of the House.

"Under a Speaker (John) Boehner (R-Ohio), all spending will be under the microscope," Walden said. That doesn't exclude "how you reform and how you scale back the cost and scope of benefits, including how you deal with entitlement programs going forward."

As the Cato Institute's DeHaven pointed out, though, that's a promise that is seldom kept.

"There are very, very few people in Washington willing to take these issues seriously," DeHaven said. "Nobody relishes the idea of going out to a campaign rally and saying, 'if you elect me, I'm going to get rid of this program and get rid of that program.'"

Walden agreed that while constituents want the budget under control, few volunteer to give up their piece of the pie.

"Nobody has ever walked through my door and advocated for a cut to their budget," he said.

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