

Restoring America's Future

A Bipartisan, Comprehensive Solution to the Debt Crisis

Joe Minarik, Bipartisan Policy Center Debt
Reduction Task Force Member



BIPARTISAN POLICY CENTER

Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfiplive and use hashtag #nfiplive

Meet Our Speaker



Dr. Joseph J. Minarik

**Senior VP and Director of
Research, Committee for
Economic Development**

**Former Associate Director
for Economic Policy, OMB**

**Former Chief Economist,
House Budget Committee**

Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfiblive and use hashtag #nfiblive

The BPC's EPP Debt Reduction Task Force

- **Task Force Mission:** To develop a bipartisan, comprehensive package of spending reductions and revenue increases to stabilize the nation's debt.
- **Co-chaired by** Senator Pete Domenici (R-NM) and Dr. Alice Rivlin, with members including former White House and Cabinet officials, former members of Congress, former governors and mayors, business and labor leaders, economists and budget experts. They are **Democrats**, **Republicans**, and **Independents**.

Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfilive and use hashtag #nfilive

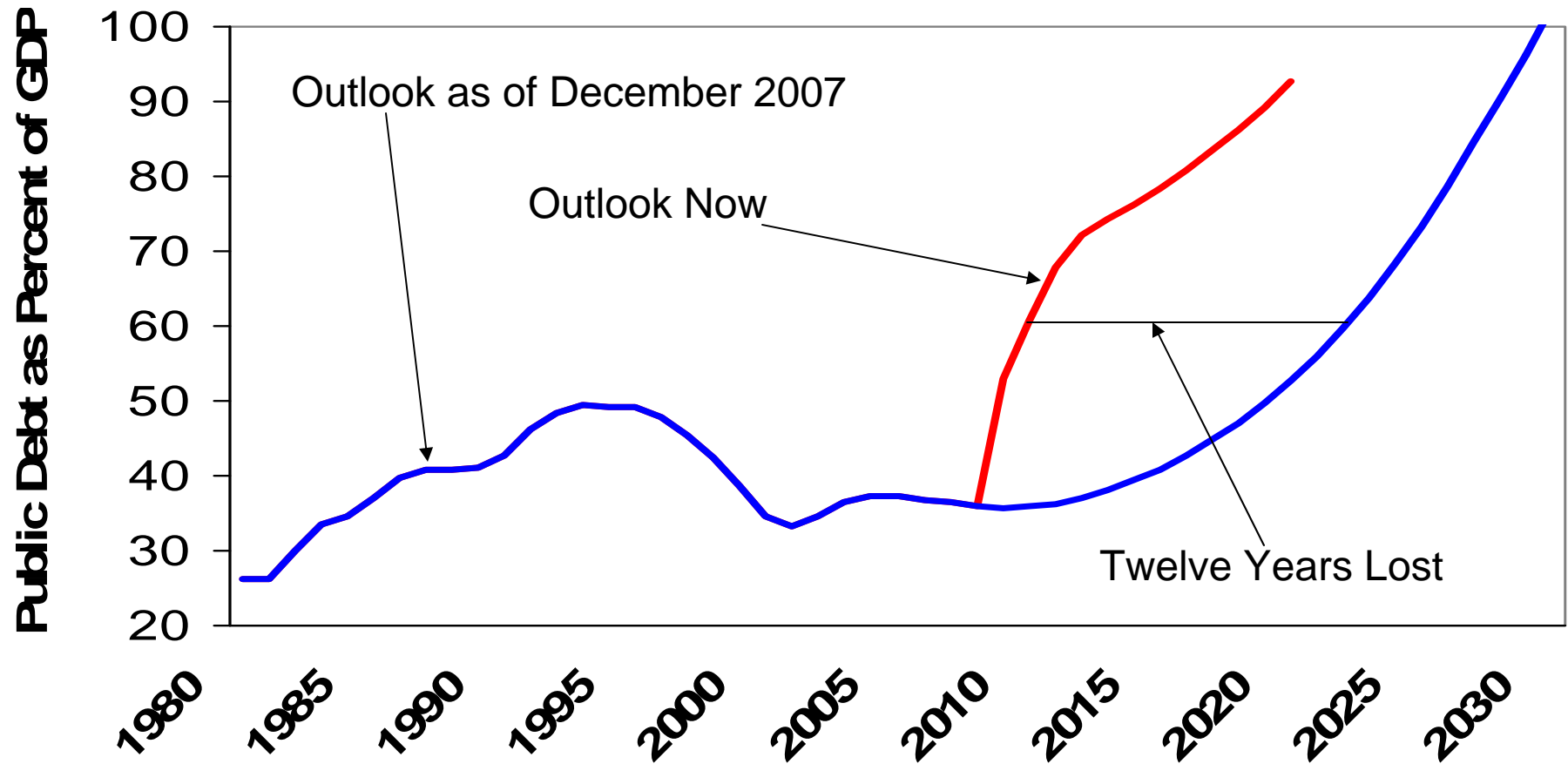
Exploding Debt

- **Exploding U.S. debt** will greatly hinder our ability to deal with any **future economic crises** and **national defense emergencies** by limiting our fiscal flexibility.
- Furthermore, unsustainably rising debt could trigger a financial crisis with spiking interest rates and a tumbling dollar.
- **Small business are particularly vulnerable**, because many must borrow at variable interest rates.

Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfilive and use hashtag #nfilive

The Budget Outlook Has Worsened Suddenly



Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfilive and use hashtag #nfilive

Dangerous Trajectory

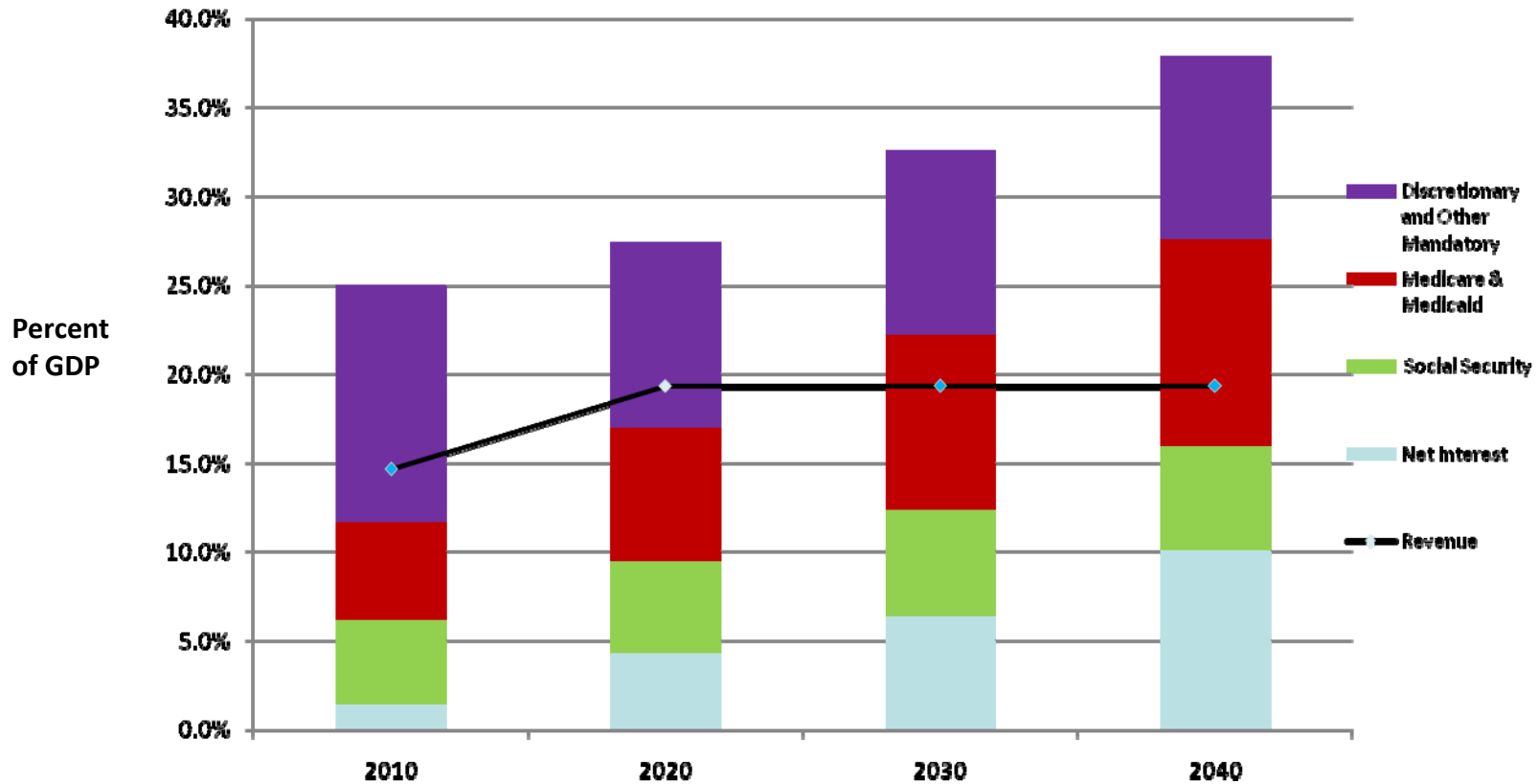
- By 2025, **all** of all federal revenues will be consumed by:
 - *Interest payments,*
 - *Medicare,*
 - *Medicaid, and*
 - *Social Security.*
- This means that the federal government will need to **borrow** to meet **all** of its other obligations, including defense, law enforcement, education, science, homeland security.

Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfilive and use hashtag #nfilive

Dangerous Trajectory

- Revenues Completely Consumed by Major Entitlements and Interest by 2025



Source: CBO Long-term Budget Outlook June 2010 Alternative Fiscal Scenario

Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfilive and use hashtag #nfilive

Dangerous Trajectory

- **Annual interest payments** will reach **\$1 trillion per year** *within this decade* unless we make significant changes.
- Moreover, if **creditors lose faith**, interest rates and payments would rise **even faster** than projected.
- With U.S. annual interest payments projected to exceed \$1 trillion by 2020, the United States could slide suddenly into a **debt crisis**, where lenders fear that America's spiraling interest payments are **irreversible** and decide to **pull back their credit**.

Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfilive and use hashtag #nfilive

Severe Consequences

- A **debt crisis** – spiking interest rates and a plunging dollar – would harm the entire economy and every family:
 - **Higher prices on everything** from necessities to luxury goods
 - **Higher interest rates would squeeze borrowers**
 - **Families with variable-rate mortgages** would see their payments balloon, and many more would default
 - **Small business with floating-rate loans** would see their payments jump
 - **Businesses with higher costs and squeezed customers would have to cut hiring and spending**, making the economy worse
 - **Retirement savings and investments** could be decimated

Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfilive and use hashtag #nfilive

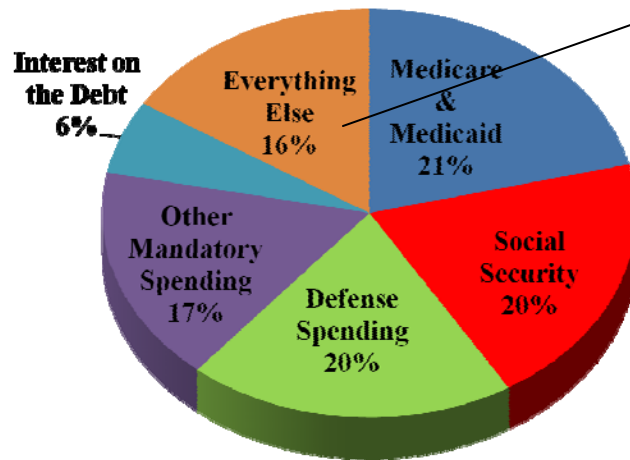
No Easy Answers

- The problem is so large that **no *single* answer** – not economic growth, not just raising taxes, not just cutting entitlement or annually appropriated spending – can solve the problem.
- That is why the task is so difficult – substantively and politically – and **every option must be on the table.**

Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfilive and use hashtag #nfilive

FY 2010 Federal Budget



All domestic discretionary programs, funded by annual appropriations (including education, veterans' health care, homeland security, law enforcement, etc.), make up only 16 percent of federal spending.

There is no way to tackle our budget problem without making difficult choices regarding Medicare & Medicaid, defense, Social Security, *and* revenues.

Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfiplive and use hashtag #nfiplive

Restoring America's Future An Overview

This consensus, bipartisan plan will:

- Revive the economy and **create up to 7 million new jobs** over two years with a **one-year payroll tax holiday**.
- Balance the primary budget in 2014, reduce total annual deficits to manageable levels, and **stabilize the debt below 60 percent of GDP by 2020**.

Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfilive and use hashtag #nfilive

Restoring America's Future

This consensus, bipartisan plan will:

- Create a simple, pro-growth tax system that broadens the tax base, reduces tax rates, makes America more competitive, and raises revenue to reduce the debt – while making the tax system *more progressive*.
- Reduce today's unsustainable rate of growth in healthcare costs.
- Strengthen Social Security to ensure that it will pay benefits for 75 years and beyond, while protecting the most vulnerable elderly and maintaining the current retirement age.
- Freeze domestic and defense discretionary spending.
- Cut other spending, including farm and government retirement programs.

Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfilive and use hashtag #nfilive

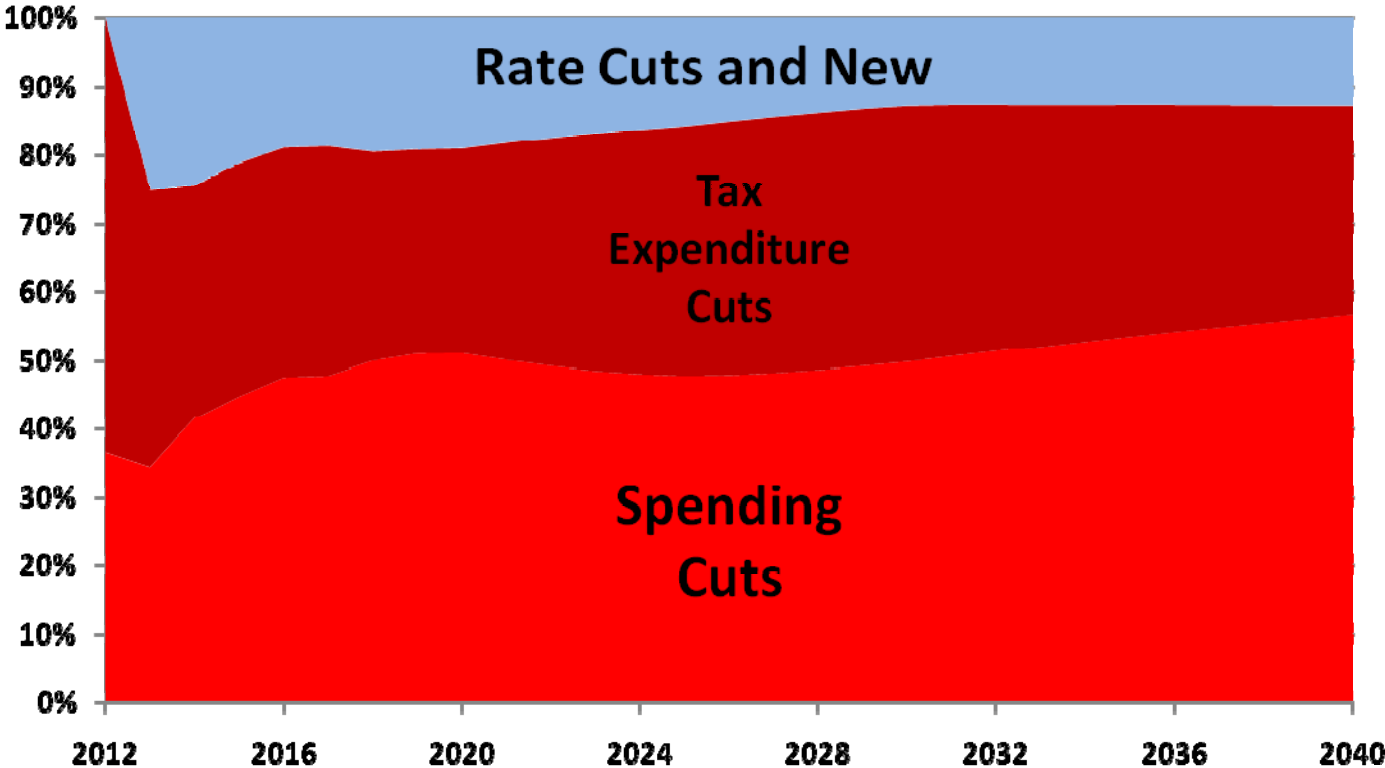
Savings from *Restoring America's Future*

<i>(Fiscal Years, Billions of Dollars)</i>	<u>Cumulative Savings:</u> 2012-2020
SPENDING POLICY REDUCTIONS	\$2,677
TAX EXPENDITURE CUTS	\$1,873
RATE CUTS + NEW REVENUES	\$435
DEBT SERVICE SAVINGS	\$877
<i>TOTAL DEBT REDUCTION</i>	\$5,866

Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfilive and use hashtag #nfilive

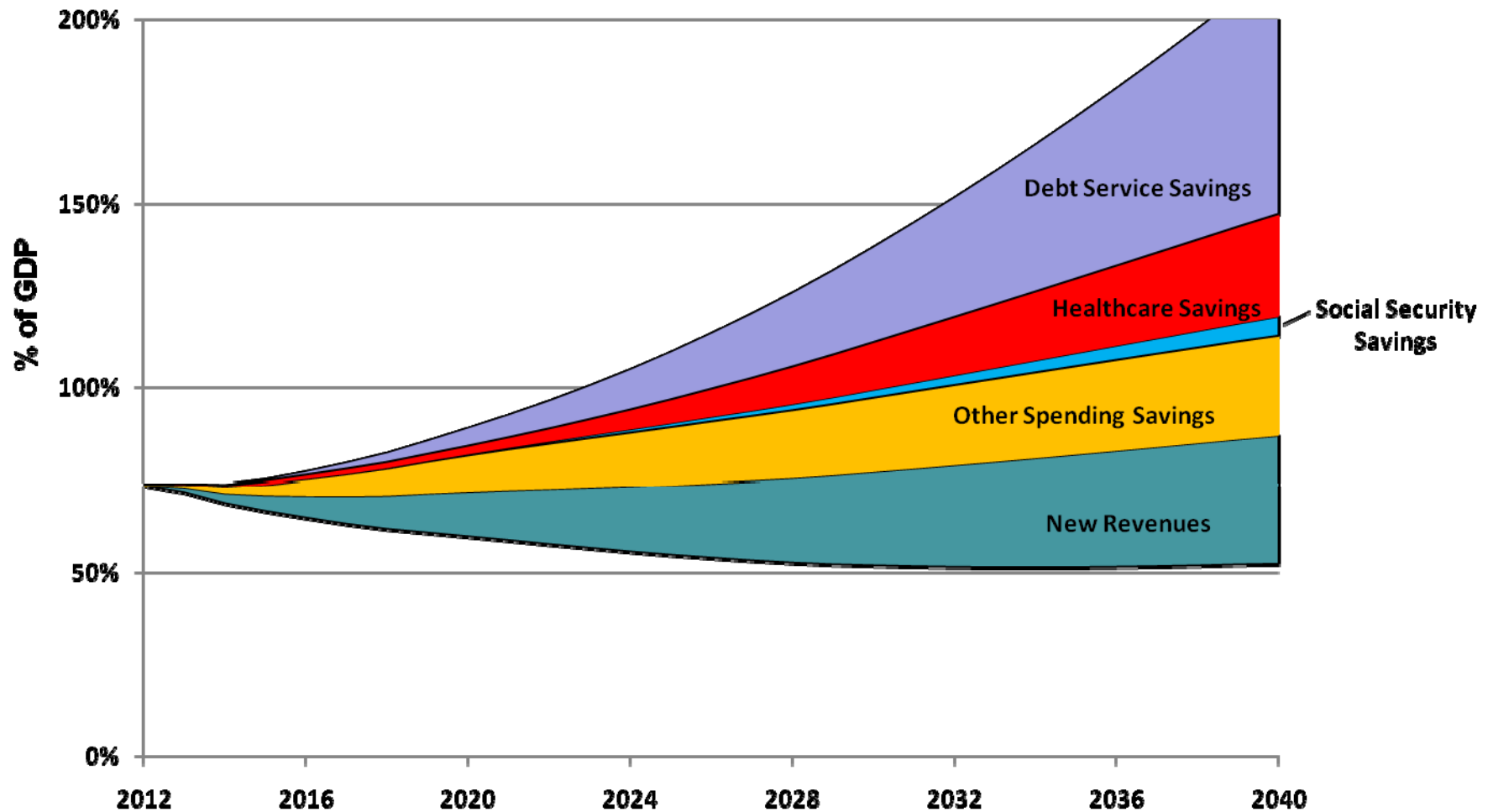
Budget Savings from Spending Cuts, Tax Expenditure Cuts, and New Revenues



Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfiplive and use hashtag #nfiplive

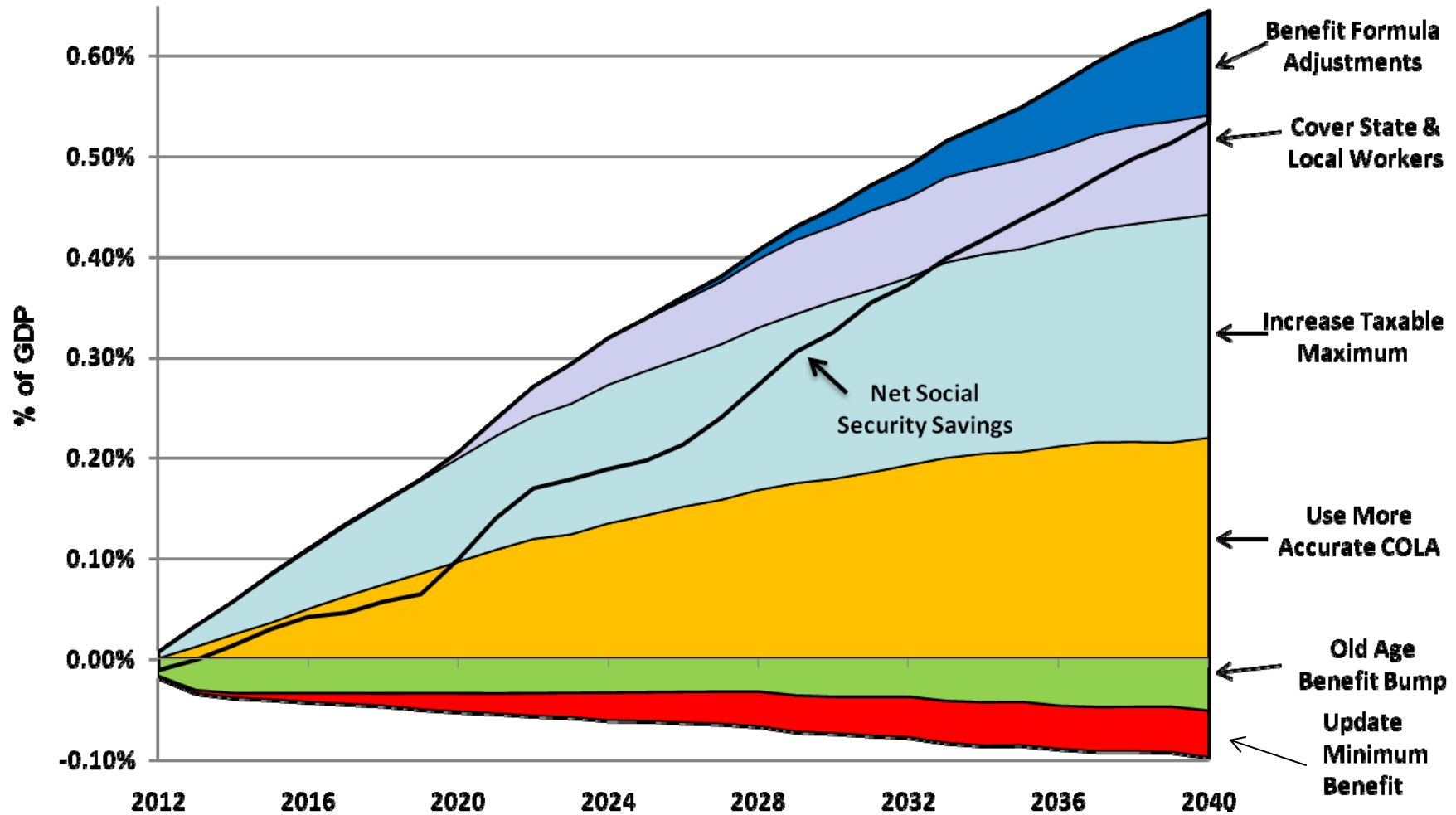
Restoring America's Future: Composition of Budget Savings



Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfiplive and use hashtag #nfiplive

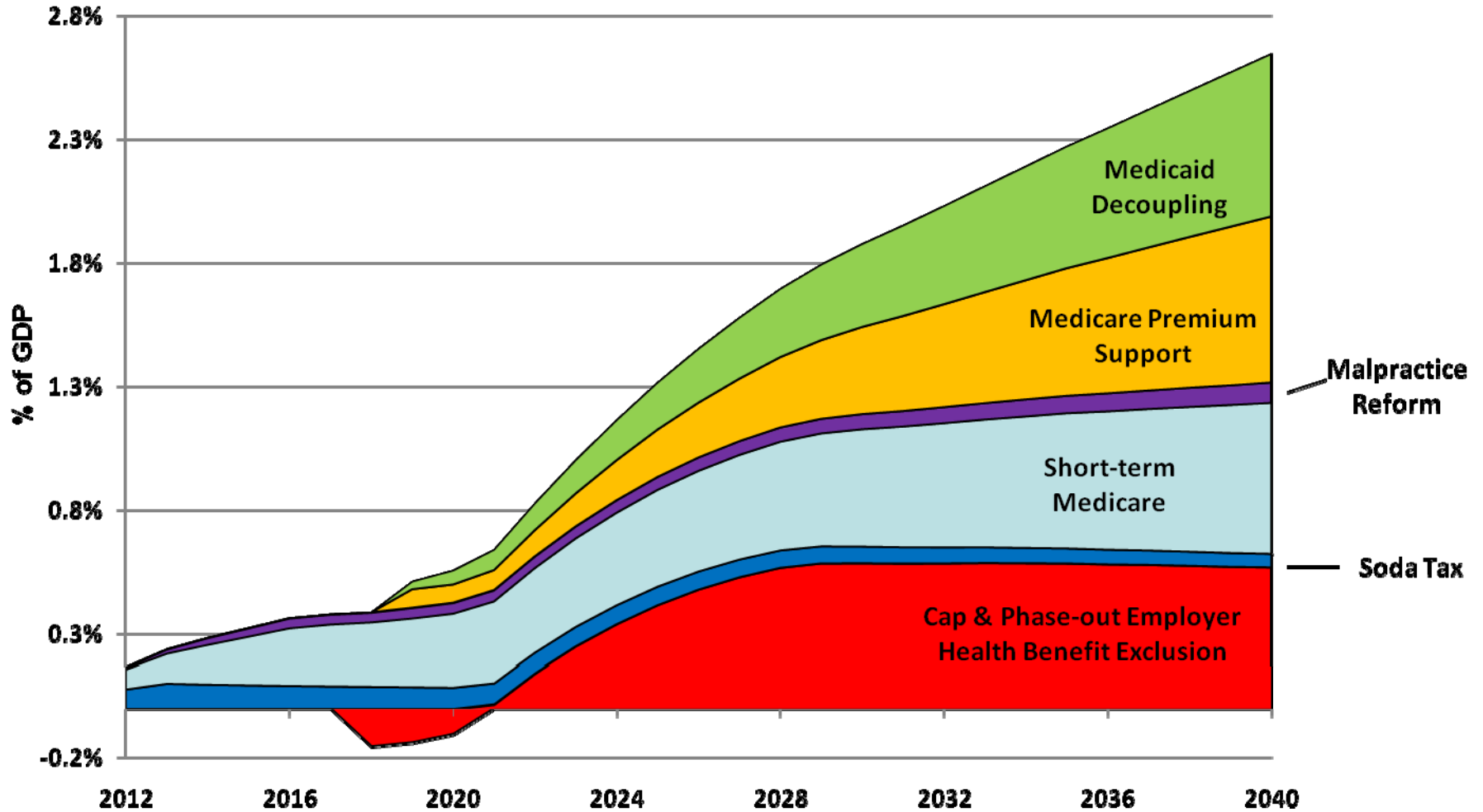
Social Security Savings



Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfiplive and use hashtag #nfiplive

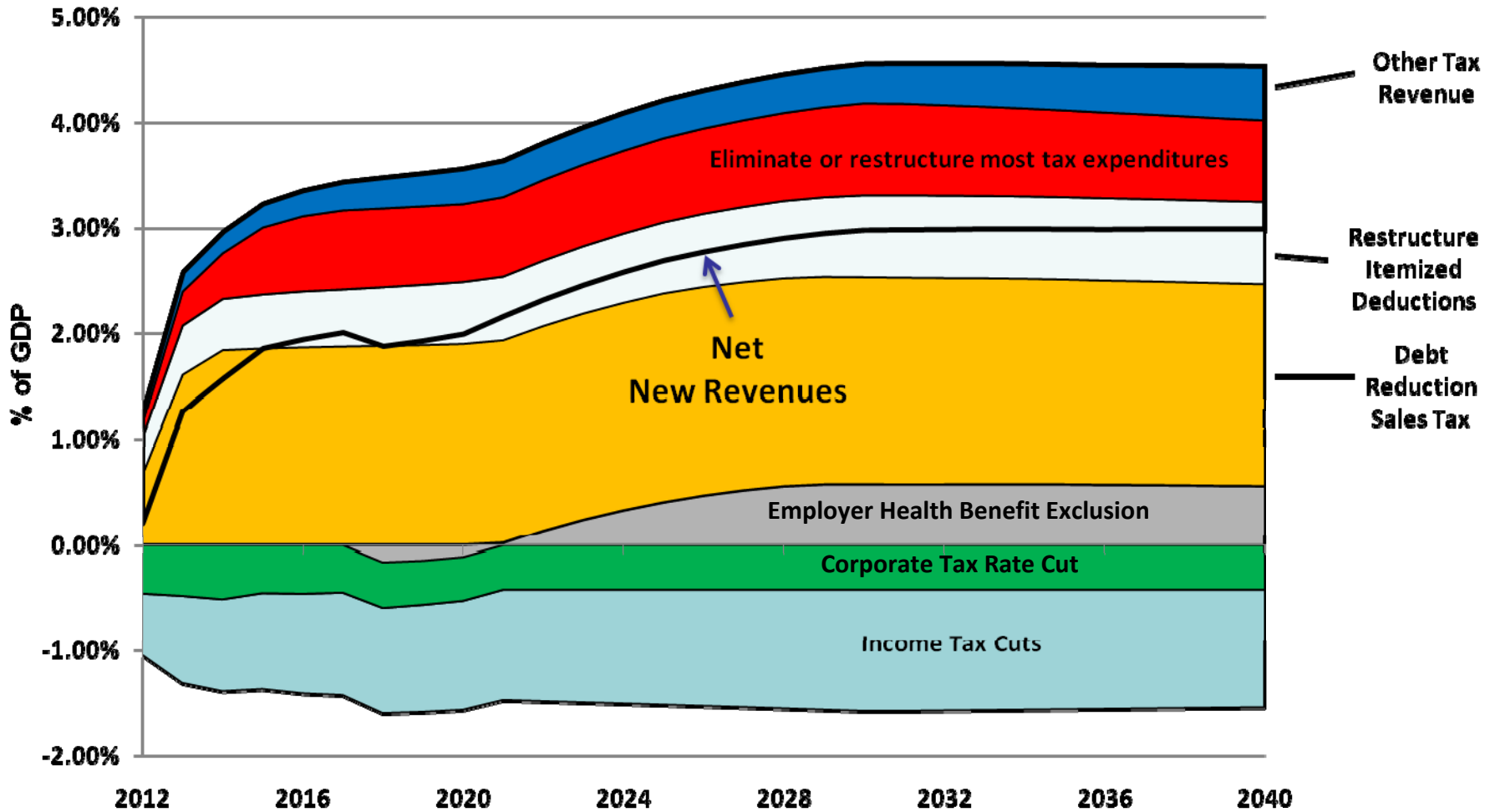
Healthcare Savings



Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfilive and use hashtag #nfilive

Revenue Savings



Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfiplive and use hashtag #nfiplive

The Bottom Line

Deficit reduction isn't fun. Anything that reduces the deficit – through spending or taxes – hurts someone.

Please remember that this bipartisan plan, which leaves no ox ungored, is just enough to **cap** the debt at a level twice as high as it was in the 1970s, and equal to the size that triggered the 1990 bipartisan budget negotiation. This is the **minimum** that we can do and remain economically secure.

So if there is something in this plan that you don't like – and surely there is – you **must** do **even more** elsewhere.

Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfilive and use hashtag #nfilive

Questions about the Bipartisan Policy Center's Debt Reduction Plan?

You may contact JOE MINARIK directly at:

Joe.Minarik@ced.org

On the dangers of inaction on the budget problem, please see:

http://www.ced.org/images/content/issues/fiscalhealth/Scenarios_12-21-10.pdf

Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfilive and use hashtag #nfilive

Stay Connected with NFIB

Small Business Webinar Series

<http://www.NFIB.com/webinars>

We want your feedback. If you enjoyed today's webinar or have suggestions for the future, please fill out the **short survey** that you will receive via email after this webinar.

facebook

NFIB is on Facebook so stop by and leave a comment

<http://www.nfib.com/facebook>

Download slides at: <http://www.nfib.com/nationaldebt>

Participate on Twitter: Follow @nfilive and use hashtag #nfilive